Investigation Report To

The Minister Of Education,

Province Of Ontario

Regarding The

Hamilton-Wentworth District School Board

August 15, 2002

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Executive Summary

I have been retained by the Minister of Education to undertake an investigation of the finances of the Hamilton-Wentworth District School Board "HWDSB". I have worked with a team of professionals during the investigation.

In undertaking this investigation we worked closely with those members of HWDSB's staff ("staff") who made themselves available to us. We also met with most of the Board of Trustees ("Trustees") during our investigation. We relied upon certain data that was made available to us by staff.

Our investigation focused on the Board's 2002-2003 budget.

Under the Education Act, Boards of Education in Ontario are required to submit balanced budgets for each fiscal year. Taxpayers and all stakeholders in the education system would expect that the budgeting process in any publicly funded organization, particularly an organization that annually spends $360 million would include the following reasonable steps:

- Board staff would prepare a balanced ("compliance") budget which would take account of their best reasonable estimate of Provincial funding, historical spending trends, economic and local factors and include reasonable assumptions to project costs for the coming school year.
- Given Board staff's knowledge, experience and expertise, the Compliance Budget should provide an excellent foundation for the Trustees' deliberations on the spending plans for the coming year as well as a useful benchmark for the Board's long term fiscal planning process.
- The Trustees may either approve the staff recommendations or modify these plans to address local policy priorities. Under a balanced budget scenario, the modifications would need to be balanced – that is, spending increases would need to be offset by allocations from other programs and cost centres.

Our investigation into the current deficit budget at the HWDSB revealed that the budget setting and approval process is fundamentally flawed. Staff prepared and recommended a "compliance" budget to the Board of Trustees. The Trustees rejected the staff budget. Instead, the Trustees approved a deficit

budget of $16 million for 2002-2003. The $16 million deficit includes an operating deficit of $5 million that was carried over from 2001-2002 as well as net spending increases of $11 million in a variety of areas. Over the past three years, the Board's operations have consistently produced deficits totalling almost $9 million. It is decisions by both the Board's staff and Trustees that have resulted in the deficit budget.

The annual budgeting process must be integrated into the longer term planning cycle. Long-term plans directly influence annual financial plans. Our investigation determined that neither the HWDSB staff nor the Trustees have assigned the necessary priority to first setting and then committing to a long range plan that ensures that taxpayers' dollars are spent to deliver excellent education on a financially effective and efficient basis. For example, the Board has not made the necessary adjustments to the number of schools it operates, to its transportation policies or to its staff complement on a timely basis to achieve a balanced budget.

In our opinion, HWDSB's deficit is a direct result of the Trustees' unwillingness to close and consolidate schools. The staff-recommended plan to close schools and build newer schools was not adopted by the Trustees. The failure to close schools impacts upon HWDSB's ability to maximize efficiencies in areas such as maintenance, utilities and school staff. Due to the excess number of schools and pupil places, much of HWDSB's funds have been used to pay for high maintenance and utility costs, rather than on classroom expenditures, which would directly benefit HWDSB's students.

The closure of excess schools would enable the Board to obtain new pupil grants to build new schools. Newer schools will be more strategically located, require little in the way of repairs and maintenance and be more energy efficient, allowing funds that are currently being used to maintain older schools to be targeted for other education priorities.

In 1998 HWDSB was given $6.1 million in transition funding by the Ministry to aid in the Board's amalgamation and the adoption of the Student Focused Funding Model. Due to the Trustees' delay in making decisions related to the consolidation of schools and redeployment of staff, HWDSB has missed the deadline to use $300,000 of the transition funds that were provided for severance costs.

Other inefficiencies also exist at HWDSB in the areas of transportation, educational assistants and other matters stated in our report. As our report is being submitted days prior to schools commencing in September, limited funding and cost savings are available immediately. Certain cost savings, such as the consolidation of schools, will have be implemented part way through the year. Based on the results of our investigation and the recommendations in this report, we are convinced that a balanced budget is attainable for 2002-2003.

The Trustees' inability to make decisions to streamline the Board's operations and capture the available efficiencies has caused the current deficit budget. A firm commitment to a long range plan in 1998 and following that plan consistently would have enabled the changes to take place in an orderly fashion so as to minimize the impact on students while promoting the quality of education that they are entitled to. The Board's lack of action has produced a situation where significant change will have to be implemented immediately to streamline its operations. Based on our investigation, we have concluded that the changes we are now recommending should have been implemented over the past number of years but for the lack of commitment and action by the Trustees.

We have not gained the necessary assurances that the Board staff and Trustees will implement the required recommendations in order to increase HWDSB's efficient use of funds. In our opinion, the Trustees' lack of action with respect to school closures and the staff's deficient budgeting processes have led to HWDSB's current-year deficit and limited potential improvements for the HWDSB's students.

Based on our review, the HWDSB will fail to balance its budget for 2002-2003 and will operate at a deficit for the forthcoming year. Therefore we recommend that the Minister vest in itself the power of the Board of Trustees and HWDSB staff in accordance with Division D of Part IX, Subsection 257.30(6) of the Education Act.

1. Introduction

I have been retained by the Minister of Education to undertake an investigation of the finances of the Hamilton-Wentworth District School Board "HWDSB". I have worked with a team of professionals during the investigation. This investigation is being carried out pursuant to Section 257.30 of the Education Act, as set out in Appendix 1.

My mandate as the investigator of HWDSB's finances is in accordance with the following "Terms of Reference" set out in Part IX, Division D of the Education Act:

"For this purpose, the investigator shall:

- assess the board's current financial position including any accumulated deficit or reserves;
- review the financial management and program decisions already taken by the board that will influence its financial position in 2002-2003;
- review the recommendations of board staff;
- assess whether the implementation of the recommendations of board staff would result in a balanced budget for 2002-2003;
- provide recommendations for further action;
- assess the extent to which the board has pursued areas for potential savings;
- identify other areas of potential savings."

2. Scope of Review

In the course of our investigation we have performed the following procedures:

- Compared the HWDB's compliance and Interim Budgets for 2002-2003, including supporting documentation, for each expenditure category.

- Held discussions with HWDSB staff ("staff"), and the Trustees.

- Discussed the compliance and Interim Budgets for 2002-2003 with HWDSB staff to identify any additional savings that may be part of the budget.

- Reviewed the compliance and Interim Budgets for 2002-2003 to determine whether any other foreseeable cost increases or expenditure requirements exist that would impact on the Compliance Budget.

- Evaluated HWDSB's finances to determine whether additional cost savings and efficiencies are available in the 2002-2003 fiscal year.

- Compared HWDSB's finances over the last four years.

- Compared HWDSB's finances to similar school boards from 1998-1999 to 2000-2001.

Our report mandate did not include an analysis of the Ministry of Education formula for the funding of School Board operations. The focus of this report is on the 2002-2003 budget year for the HWDSB.

In undertaking this investigation we worked closely with the staff of HWDSB. Many staff personnel were not available during our investigation. As such, we have had to rely on the limited data that has been provided to us by the staff personnel who were present.

During our review, we examined the staff-recommended Compliance Budget as well as the Trustee-approved Interim Budget.

During our investigation, we identified a number of potential opportunities to streamline operations to produce efficiencies. We requested the HWDSB Board staff's help in investigating those opportunities and to priortize the opportunities according to the ones that offered the greatest short and longer term potential. HWDSB staff declined to assist us in this regard on the basis that they were satisfied that all potential efficiencies had already been identified.

We have analyzed and compared HWDSB's finances to other school boards to identify areas of potential savings. We have also used the staffing levels that staff, during our investigation, suggested would be required for 2002-2003 and compared them to the excess level of staffing that has been used in both the staff-recommended Compliance Budget and the Trustee-approved Interim Budget.

3. Findings

School Closures

We believe that the primary cause of the HWDSB's current financial crisis can be attributed to the Trustees' consistent reluctance to both decide to close and ensure the physical closure of schools that are under-utilized. Our analysis and data show that HWDSB has more staff than required and has high maintenance costs due to under-utilized schools.

The estimated annual operating cost savings related to the closure of schools is $200,000 for an elementary school and $680,000 for a secondary school. Had the Trustees taken timely and decisive action on the school closing issues, the HWDSB would have been able to reap the financial benefits associated with a more effective deployment of its staff and lower school operating costs, such as energy and utilities. The consolidation of schools would have enabled HWDSB to receive additional pupil places funding that would have helped the Board build newer schools that would operate more efficiently and provide better facilities for the students.

The Trustees' failure to follow Board staffs' recommendations on school closings results in a number of predictable negative financial results. For example, even though HWDSB's enrolment numbers have declined since 2000 by over 300 pupils, the expenditures per student have increased by over $300.

The failure to close schools has impacted many areas of HWDSB's finances, such as the lack of new pupil places grants, increased school operations, inefficient use of school staff and others. The Trustees' unwillingness to close schools has hindered the Board's ability to build new schools through the use of new pupil places grants. As a result, the Board has been unable to provide its students with newer facilities.

The closure of additional schools should be a priority in order for HWDSB to generate additional cost savings. HWDSB cannot sustain the number of schools that it currently operates on a cost efficient basis because these schools are not operating at full capacity.

During our investigation we noted that, in their 1998 report to HWDSB Trustees, Board staff recommended that 20 schools be closed. In spite of those recommendations, and ongoing discussions by the Trustees on this topic, only four schools have, in fact, been closed to-date. We understand that one additional school is scheduled for closure at the end of the coming academic year. As a result of our investigation, we recommend that the sixteen schools that have been identified as redundant be closed as soon as possible. The closure and consolidation of the schools will result in economies of scale, provide better facilities for the students and help maximize the allocation of expenditures in the classroom rather than administration.

Teacher Staffing Positions

We understand that in April 2002, prior to the release of the funding allocation for 2002-2003, staff requested approval from the Board to hire the required level of teachers for 2002-2003, which was less than 2001-2002 due to the decline in enrolment. The Board approved the staffing level of teachers that was recommended by the staff. After the funding allocation for 2002-2003 became available.

Staff inappropriately increased the number of FTE teacher positions in the Compliance Budget, to a higher level than the level that was approved by the Board simply because additional funding became available. Such actions suggest that staff did not make any attempts to determine cost savings and efficiencies for HWDSB, given that the teacher positions were arbitrarily increased to accommodate the level of funding, rather than the level of positions that would be required.

Supply Teachers

Over the past number of years, the HWDSB has consistently spent more than its allocated budget for supply teachers. In 2001-2002, the Board spent over $7 million on supply teachers. This is an area where

expenditures have been poorly controlled and managed. The lack of control of the supply teacher expenditure is evident in the fact that the spending for supply teachers in the month of June is double the cost for other months during the school year.

Currently, HWDSB does not have a system in place to monitor the absenteeism of its teaching staff in order to identify areas where this expenditure could be better controlled. Yet this expenditure has not been investigated in the budget setting process to identify potential efficiencies. Rather, the Trustees have increased the staff-recommended allocation of funds for supply teachers without providing a substantive rationale for this increase

Educational Assistants

The number of HWDSB's educational assistants ("EAs") has increased from 1998-1999 to 2001-2002 by 66.5 FTE positions, while the number of special education students has decreased by over 1,000 pupils. Approximately 95% of the HWDSB's 420 EAs are used for special education and support special education students. The EA salaries comprise over $13 million of the Board's total expenditures.

HWDSB's spending on special education has increased, while the enrolment of special education students has decreased. HWDSB has modified the delivery of its special education program since 1998 by reducing the number of fully self-contained classes, where special education students are taught in separate, congregated classes.

Transportation

HWDSB has commenced a process three years ago to develop a transportation consortium with the Catholic School Board in its district. The consortium is expected to be in place in 2003-2004. The consortium will enable HWDSB to provide better service and shorter routes to its students at a lower cost. The consortium is important in achieving an efficient transportation system through economies of scale that can be shared with the Catholic Board. Other School Boards have been able to implement similar arrangements and have experienced cost savings.

The Hamilton Boards have not made the implementation of the consortium a high priority. The Education Improvement Commission ("EIC") recommended the consortium in 1999. The EIC suggested that the Boards use an external facilitator if necessary. If the Boards were experiencing difficulty in implementing an agreement, an external facilitator should have been engaged to expedite the process. Given the cost savings that are available in this area, it is prudent that the implementation of such an agreement take place as soon as possible.

History of Deficits

The HWDSB has consistently incurred deficits in the past number of years.

Based on our historical review of HWDSB's finances, HWDSB has incurred actual deficits in the years from 1998-1999 to 2001-2002. The accumulated deficits from 1998-1999 to 2001-2002 amount to over $8 million. These deficits have been funded by reserves and external bank financing.

Transition Funds

Since 1998, HWDSB received transition funds of approximately $6.1 million to aid with the amalgamation of the two boards and the changes to the funding of education in Ontario. Appendix 2 of our report addresses HWDSB's use of the transition funds. Of the $6.1 million that was received, HWDSB applied $5.8 million to restructuring projects. We understand that these funds were applied to the appropriate projects. Approximately $300,000 of the transition funds relating to severance costs has not been spent. We understand that the $300,000 must be returned to the Ministry of Education, as the time to use it has expired. The deadline to use the funds was August 2001.

We also know that if the Board had streamlined operations by closing or combining underutilized schools; they would have been able to apply these severance grants to cover expenditures for redundant staff. We understand that the Board is expected to overspend its budgeted amount for severance costs in the current year. The Ministry offered special assistance grants during the transition period to fund severance costs. The Board did not make the necessary adjustments to its workforce on a timely basis to be able to fully utilize the funding and take advantage of these grants.

4. Recommendations

HWDSB can achieve a balanced budget for 2002-2003, as detailed in Appendix 4 and summarized in "Appendix 4 – Summary". There are a number of areas in which efficiencies can be generated. HWDSB's deficits and over-spending are largely due to the Board's failure to close schools. We understand that the process to close schools may be lengthy and many of the cost savings do not materialize instantaneously. However, savings could have already been realized if Trustees had acted in a timely fashion. Therefore, we recommend that a plan be put in place immediately to determine which schools should be closed and this plan include a concrete timetable for action on this front.

The failure to close schools affects many areas of the budget, such as:

1. New pupil grants
2. School operation costs
3. Transportation
4. Class sizes and the number of teaching positions required
5. Custodians
6. Administration

The Trustees' failure to act in a timely matter on the school closures issues has resulted in the Board's ineligibility for new pupil grants from 1998 through 2001. Other comparable boards have taken action to close schools and were able to build new schools to accommodate the students that were affected by the closures. As such, other Boards have become eligible for new pupil grants. The Trustees' decision to not close schools has created additional expenditures to upkeep older, deteriorating buildings. If the schools had been closed and consolidated on a timely basis, the Board could have received additional pupil places grants, allowing for additional funding to build newer, more energy efficient schools to accommodate its students. In addition, efficiencies could have been achieved in the areas of school operations, administration and transportation costs.

We recommend that certain schools be closed in January 2003 to commence the cost savings, especially on school facilities, such as utilities and maintenance. See Appendix 4, Schedule 1.

As a result of the delay in decision making by the Trustees, there will be a time delay in achieving cost savings from school closures, HWDSB will have to increase efficiencies in other areas to achieve a balanced budget. Other expenditure areas will need to be trimmed in order to accommodate the overspending on school operations and possibly staff due to the excess number of schools.

Other areas where cost savings can be pursued are:

1. Educational assistants
2. Reduction of excess, vacant teacher positions
3. Use of supply teachers
4. Continuing education
5. Reduction of excess, vacant principal and vice-principal positions

We recommend that efficiencies be made in other areas to accommodate the overspending due to the excess number of schools currently in operation. See Appendices 3 and 4 for further details on our analysis and recommendation.

5. Background

On January 1, 1997 the Hamilton School Board and the Wentworth School Boards amalgamated to form Hamilton-Wentworth District School Board ("HWDSB") or "The Board".

In the fiscal year ending August 31, 2002, the Board operated facilities comprised of 115 elementary schools and 18 secondary schools. The average daily enrolment ("ADE") in the 2001-2002 fiscal year was 55,808 comprised of 36,901 elementary students and 18,907 secondary students. The enrolment for 2002-2003 is expected to decrease to 55,745 ADE.

In the fiscal year ending August 31, 2002 ("fiscal 2002") the Board projected allocations by grants revenues and student-focused funding of $360 million. A deficit of $5 million is currently being forecast for the 2001-2002 year. See Appendix 5 for a copy of the 2001-2002 budget of the HWDSB.

For 2002-2003, the staff recommended a "Compliance Budget" to the Board of Trustees that showed a balanced budget. The Trustees did not approve staff's recommended budget and directed staff to prepare an "Interim Budget" that resulted in a deficit of $16 million, including the $5 million expected deficit from 2001-2002. See Appendix 4 – Summary for the Compliance and Interim Budgets.

6. Review of HWDSB Staff-Proposed Compliance Budget

HWDSB's staff recommended a Compliance Budget to the Trustees that showed a balance of the Board's $365 million expenditures to its revenues. Staff's Compliance Budget includes an increase of approximately $1 million in spending from 2001-2002 budgeted expenditures. A motion to adopt the staff's Compliance Budget was defeated by the Trustees during a Committee of the Whole meeting by an 8-1 vote with two abstentions.

Staff's Compliance Budget does not take into account certain expenditures that will likely be incurred by HWDSB in 2002-2003, which could result in an overall deficit of approximately $5.6 million by the end of the year

Staff's proposed Compliance Budget includes a $5 million deficit from 2001-2002 that was financed by HWDSB's line of credit with its bank,. Staff realizes that the proposed Compliance Budget may not be achievable in its current state as a result of expected increased salary and energy costs. Had the proposed Compliance Budget been approved by the Trustees, staff anticipated borrowing additional funds from the bank to fund the cash shortfall. The bank advised HWDSB in a letter dated June 24, 2002, that it would not allow the board's current line of credit to be used to fund deficits.

Inefficiencies exist in the number of staff positions that are included in both the compliance and Interim Budgets. Staff has not hired the level of instructors that has been set out in the compliance and Interim Budgets. Rather, staff has hired only the level of instructors that they feel will be required for 2002-2003, which is less than the numbers and dollars that are used in the budgets. Staff is planning to operate at an efficient level of instructors for 2002-2003 contrary to what they included in the Compliance Budget. Staff altered its plans for the level of staffing, in anticipation that savings will be required to be made to the budget as a result of our investigation. As a result, a balanced budget is attainable for HWDSB for its 2002-2003 school year. Appendices 3 and 4 discuss the efficiencies that are available to HWDSB for 2002-2003.

7. Review of Trustee-Approved Interim Budget

Trustees did not approve staff's recommended Compliance Budget. Trustees approved a budget referred to as the "Interim Budget" that maintained the staffing level at the same amount that was reported by the Board in its 2001-2002 fiscal year. The Trustee-approved Interim Budget did not balance and resulted in a deficit of $16 million. The Trustee-approved Interim Budget includes the approximate $5 million deficit from 2001-2002. The Trustees approved the Interim Budget that resulted in a deficit, by a vote of 9-2 at the Trustees' Committee of the Whole meeting on June 24, 2002.

8. Review of Recommendations of HWDSB Staff

During our review of HWDSB's 2002-2003 budget, we have considered both the Interim and Compliance Budgets. We have also had numerous discussions with staff as to the feasibility of the recommendations that were made in developing the Compliance Budget. The Trustees have delayed the decision-making process with respect to the consolidation of schools and the budget process for months. As a result, the implementation of staff's recommendations for 2002-2003 may be difficult, but necessary in a short period of time.

As such, we recommend that initiatives be taken as soon as possible so that the actions can be implemented during the 2002-2003 school year, possibly in October 2002.

Based on our review of staff' recommendations and HWDSB's finances, a balanced budget is attainable for HWDSB for 2002-2003. See Appendix 4 – Summary. Certain measures must be taken immediately in order to benefit from such efficiencies as soon as possible. Our analysis of staff's recommendations and the proposed compliance and approved Interim Budgets are included in Appendices 3 and 4 and the schedules thereto.

9. Summary

During our investigation, we have been able to identify areas where HWDSB can increase its efficiencies, streamline its operations, achieve efficiencies, focus spending in the classroom and gain more value from its overhead investments.

As a result, we have found that it is possible for HWDSB to balance its budget for 2002-2003 and thereby eliminate the projected deficit of $16 million. It is our opinion that HWDSB did not take the appropriate steps during the transition period to implement sufficient efficiencies.

Over the years the Trustees have failed to close sufficient schools that were identified by Board staff in 1998 as being redundant to provide the necessary foundation on which to streamline its operations, generating the consequential savings so that it could focus its spending on the classroom.

We recommend that a school closure plan must be developed, approved and implemented by HWDSB. If such a plan is not enforced, the deferral to close the necessary schools will likely continue, creating additional inefficiencies in the system and delaying the ability to distribute these resources to service students and areas in the Board where there is the greatest need.

Based on our investigation, and as set out in this report, we have not gained the necessary assurances, or the required level of comfort that the Trustees and Board staff have the desire to implement the necessary budget and operational changes.

We have concluded that the HWDSB will fail to balance its budget for 2002-2003 and will operate at a deficit in the coming year. Therefore, we recommend that the Minister vest itself in the power of the Board of Trustees and the HWDSB staff, pursuant to Division D, Part IX, Subsection 257.30(6) of the Education Act.

10. Limitations

This investigation does not constitute a forensic review of the HWDSB, its operation and its books and records. Our emphasis has been on the financial operation and governance issues of HWDSB for the years 1998-1999 to 2002-2003.

11. Acknowledgements

We acknowledge the assistance of those Trustees and Board staff who helped with explanations and provided data.

The above report and the attachments are our report on this matter.

Sincerely,

Charles Smedmor, CA
Managing Director
Smedmor & Associates

Appendix 1

Section 257.30 of the Education Act

257.30 (1) Investigation of board's financial affairs – The Minister may direct an investigation of the financial affairs of a board if,

(a) the financial statements of the board for a fiscal year, or the auditor's report on the statements, required to be submitted to the Ministry under section 252, indicate that the board had a deficit for that year;
(b) the board has failed to pay any of its debentures or instruments prescribed under clause 247(3)(f) or interest on them, after payment of the debenture, instrument or interest is due and has been demanded;
(c) the board has failed to pay any of its other debts or liabilities when due and default in payment is occasioned from financial difficulties affecting the board; or
(d) the Minister has concerns about the board's ability to meet its financial obligations.

(2) Appointment of investigator– The Minister may appoint as an investigator a person licensed under the *Public Accountancy Act* or an employee in the Ministry.

(3) Powers of investigator – An investigator may,
(a) require the production of any records that may in any way relate to the financial affairs of the board;
(b) examine and copy any records required under clause (a); and
(c) require any officer of the board or any other person to appear before him or her and give evidence, on oath or affirmation, relating to the financial affairs of the board.

(4) Same – For the purposes of carrying out an investigation, an investigator has the powers of a commission under Part II of the *Public Inquiries Act* and that Part applies to an investigation as if it were an inquiry under that Act.

(5) Report of investigator– On completion of an investigation, an investigator shall report in writing to the Minister, who shall promptly transmit a copy of the report to the secretary of the board.

(6) Same – The investigator may not recommend that control and charge over the administration of the affairs of the board be vested in the Ministry unless the investigation discloses evidence of financial default or probable financial default, of a deficit or a probable deficit or of serious financial mismanagement.

1997, c.31, s.113(4)

Appendix 2

Assessment of the HWDSB's Current Financial Position

We have reviewed the HWDSB's current financial position. This review includes:

- Historical analysis of expenditures and resulting deficits.
- HWDSB's approved budgets that were submitted to the Ministry from 1999-2000 to 2001-2002.
- A review of the transitional funding for the HWDSB.
- A review of the reserve accounts of the HWDSB.
- Comparison of HWDSB's finances to other comparable boards.

1. Historical Analysis of Expenditures and Resulting Deficits

The HWDSB has incurred deficits in each of the last three fiscal periods. The actual deficits for fiscal years ending 2000 and 2001 are set out below in Table 2.1 together with the projected current year deficit. The table also sets out the significant line items where surpluses and deficits have been identified.

The Board has consistently failed to accurately and conservatively forecast its costs for teachers, retirement gratuity, school operations, school administration and others. Most of the cost overruns are a result of poor assumptions that were used in the budgeting process.

Table 2.1 Historical Deficits

Detail	1999-2000 $	2000-2001 $	2001-2002 $
Revenues	348,469,226	353,505,114	360,431,586
Expenditures	(349,960,451)	(356,818,447)	(365,437,176)
Deficit	(1,491,225)	(3,313,333)	(5,005,590)
Surplus/(Deficit) Composition:			
Teachers	(2,819,178)	(2,214,142)	(2,939,088)
Educational Assistants	(222,101)	611,279	251,761
Professionals and Paraprofessionals	35,675	188,893	12,883
Staff Development	83,481		(197,109)
Supplies and services	218,272	346,113	(87,179)
School Administration	(288,278)	(1,220,076)	(580,631)
Continuing Education	(173,390)	(31,876)	
Board Administration	272,592	387,922	
Transportation	(509,355)	225,316	
School operations	(29,445)	(1,606,762)	
Subtotal	(3,431,727)	(3,313,333)	(3,539,363)
Other revenues	(99,728)		255,720
Student Focused Funding	333,633		(1,408,614)
One Time Revenues	1,706,599		
Unallocated portion of previous year's deficit			(313,333)
Deficit	(1,491,223)	(3,313,333)	(5,005,590)

2. Special Education

The allocation for special education is enveloped and protected. The Ministry has defined the types of spending that qualify for special education. Any unspent funds must be placed in a special education reserve fund. If a school board spends more than its allocation, as is the case with HWDSB, the additional funds must be reallocated from another area. Other funding areas that HWDSB has traditionally reallocated to special education include:

- Classroom Textbooks, Supplies and Other costs
- Occasional Teachers
- Professionals and Para-professional staff

Table 2.2 Special Education Deficits

	1998-1999 $	1999-2000 $	2000-2001 $	2001-2002 $	Projected 2002-2003 $
Funding	30,573,747	31,916,235	36,609,417	36,458,778	36,610,945
Expenditures	40,025,994	35,507,781	37,634,003	38,537,311	39,955,524
Deficit	(9,452,247)	(3,591,546)	(1,024,586)	(2,078,533)	(3,344,579)

The above information has been obtained from the Ministry of Education reporting packages. The HWDSB has adopted a special education delivery model that includes both fully self-contained special education classes as well as integrated classes, depending on student needs. Fully self-contained classes include special education students while the integrated classes allow special education students to enter regular classrooms for a major part of the day.

Table 2.3 shows HWDSB's special education student enrolment from 1998-1999 to 2002-2003.

Table 2.3 Special Education Enrolment and Corresponding Education Assistant

Special Education Enrolment (ADE)

	Actual			
	1998-1999	1999-2000	2000-2001	2001-2002
Elementary	5,956	5,255	4,828	5,091
Secondary	2,848	2,481	2,557	3,075
Total	**8,804**	**7,736**	**7,385**	**8,166**

EAs (FTE)

	Actual			
	1998-1999	1999-2000	2000-2001	2001-2002
Elementary	312.50	327.00	355.10	365.30
Secondary	51.00	50.50	64.90	64.70
Total	**363.50**	**377.50**	**420.00**	**430.00**

As Table 2.3 shows, the number of Educational Assistants has steadily increased while the number of special education students has declined since 1998-1999.

3. Transportation

HWDSB's expenditures have exceeded its funding for transportation from 1998 to 2002 as illustrated in Table 2.4 below.

Table 2.4 Transportation Deficits

	1998-1999	1999-2000	2000-2001	2001-2002	Projected 2002-2003
	$	$	$	$	$
Funding	10,238,678	10,526,264	10,574,150	10,663,524	10,906,074
Expenditures	10,397,808	11,507,301	10,450,001	10,711,178	11,061,903
Surplus/(Deficit)	(159,130)	(981,037)	124,149	(47,654)	(155,829)

HWDSB and the Hamilton Catholic Board have plans to enter into a joint transportation agreement. Such an agreement would generate cost savings and increase efficiencies for both Boards. The quantum of cost savings is not known by staff.

The consortium will benefit the students in providing them with a more efficient transportation system that would result in shorter routes and increase the amount of funds that can be spent on classroom expenditures rather than transportation.

HWDSB has increased its spending on transportation by over $650,000 or 6.4% since 1998-1999, despite its relatively flat or declining enrolment. Inability to achieve cost efficiencies is attributable to the fact that a revised transportation policy, which harmonized the policies of the predecessor Boards, was not implemented until 2000-2001. Such increase in costs is an example of the costs associated with delayed decision-making and implementation by Trustees.

The Education Improvement Commission ("EIC") under took a review in 1999 and provided a report of their findings. In that report, the HWDSB was advised to "develop a regional transportation consortium". The EIC recommended including the French and Catholic boards and using an external facilitator if necessary. The process commenced three years ago, and a joint transportation policy with the Hamilton

Catholic Board is still not in place. Given the economies of scale that have been achieved by other boards through similar arrangements, the lack of progress in this area is of concern.

4. Retirement Gratuities

Since 1998, HWDSB's actual spending has consistently been greater than its budget expenditures for retirement gratuities, as shown in Table 2.5.

Table 2.5 Retirement Gratuity Difference

Retirement Gratuities	**1998-1999**	**1999-2000**	**2000-2001**	**2001-2002**
Budget	4,200,000	4,200,000	5,561,223	5,586,292
Actual	(8,696,384)	(6,826,949)	(7,852,517)	(6,703,074)
Difference	(4,496,384)	(2,626,949)	(2,291,294)	(1,116,782)
Actual number of retirees	357	285	360.5	239

Retirement Gratuities are reported on the various budget categories to which the retiring individual belonged (i.e., the retirement gratuity for an elementary teacher would be reported in elementary teacher costs in the budget). The Ministry provided additional funds of $5,600,000 in 1998-1999 to the HWDSB to aid in the expenditures related to the changes to the Ontario Teachers Pension Plan rules. The pension plan sponsors agreed to an early retirement window from June 1, 1998 to December 31, 2002. Many HWDSB employees took advantage of the opportunity to retire early, resulting in actual expenditures being greater than budget figures. We have been advised that the Teachers Pension Plan was revised to allow retirement with a commuted pension, if requested prior to the age of 50. Previously the employee had to make the request prior to the age of 55.

In our opinion, staff are partly responsible for the consistent spending in excess of budget in the area of retirement gratuities. Staff should have accurately forecast that the expenditures relating to retirement gratuities were expected to increase as a result of the pension plan changes.

5. Supply Teachers

HWDSB's actual expenditures on supply teachers have exceeded its budget amounts, as shown in Table 2.6.

Table 2.6 Supply Teacher Spending: Budget vs. Actual

Supply Teachers	**1998-1999**	**1999-2000**	**2000-2001**	**2001-2002**
Budget	4,829,784	4,352,736	4,584,435	4,763,035
Actual	4,898,931	5,540,271	6,810,558	7,055,944
Difference	(69,147)	(1,187,535)	(2,226,123)	(2,292,909)

The deficit incurred in this area can be attributed to a failure to properly manage the resource. The resource appears to be neither properly monitored nor managed. The Humans Resources Information System is not integrated with the Employee Replacement System and therefore an analysis of teacher absence patterns is not available. The absenteeism can only be tracked by reason codes and by schools, not by individual teachers.

In an effort to balance the overall budget, staff has traditionally under-budgeted the costs associated with supply teachers. In the past budget years, HWDSB has moved budgeted funds from this area to finance anticipated shortfalls in other areas.

Over the past number of years, the HWDSB has consistently spent more than its allocated budget for supply teachers. In 2001-2002, the Board spent over $7 million on supply teachers. This is an area where expenditures have been poorly controlled and managed. The lack of control of the supply teacher expenditure is evident in the fact that the spending for supply teachers in the month of June is double the cost for other months during the school year.

Currently, HWDSB does not have a system in place to monitor the absenteeism of its teaching staff in order to identify areas where this expenditure could be better controlled. Yet this expenditure has not been investigated in the budget setting process to identify potential efficiencies. Rather, the Trustees have increased the staff-recommended allocation of funds for supply teachers.

To further illustrate our point, Table 2.7 compares the supply teacher spending per pupil (ADE) per year.

Table 2.7 Supply Teacher Spending per Pupil

	Actual				Budget
Enrolment	**1998-1999**	**1999-2000**	**2000-2001**	**2001-2002**	**2002-2003**
Elementary	36,805.61	36,991.32	37,149.53	36,900.60	36,992.50
Secondary	18,658.88	19,020.51	18,913.38	18,906.62	18,752.00
Total	**55,464.49**	**56,011.83**	**56,062.91**	**55,807.22**	**55,744.50**

	Actual				Budget
	1998-1999	**1999-2000**	**2000-2001**	**2001-2002**	**2002-2003**
	$	**$**	**$**	**$**	**$**
Expenditures	4,898,931	5,540,271	6,810,558	7,055,944	6,195,247
Per Pupil Spending	88.83	98.91	121.48	126.43	111.14

We note that increases in supply teacher spending have continued to outpace enrolment growth. The failure to control supply teacher spending is evident by the increase in spending per pupil.

In 2001-2002, elementary teachers were absent for a total of 13,382 days, (or 70 FTE teachers) while secondary teachers were absent for a total of 2,934 days (or 15.3 FTE teachers). Based on the number of days that teachers have been absent, especially at the elementary level, it is clear that inefficiencies exist in HWDSB's use of supply teachers.

6. Transitional Funding of the HWDSB

From 1998 through 2001, the Ministry of Education provided restructuring funds to aid with the transition and to encourage boards to increase administrative efficiency after amalgamation. Eligible restructuring activities included: standardization of policies and procedures; acquisition and use of communications technology; and establishing co-operatives with partners. Eligible expenditures included: severance, retirement gratuities, and counselling for non-teaching staff. Approved projects that demonstrated cooperation among schools boards and other partners were given funding priority.

We have reviewed the application of the transitional funding of the HWDSB. A business case was prepared by the staff and presented to the Board, which in turn approved submission to the Ministry. The business case outlined the proposed initiatives and the related costs and the long-term benefits.

The HWDSB applied for and received the restructuring funds of $6,141,087 consisting of $3,133,987 as a labour adjustment and $3,007,100 as restructuring/start-up costs.

However, we note that the Board did not apply labour adjustment funds of $307,043 or 9.8% of the total amount provided. We further understand that the HWDSB has requested an extension to apply these funds to qualifying expenditures. Currently this amount is due to the Ministry but has not been formally recognized as such. Thus, the interim and Compliance Budgets do not consider the refund due to the Ministry.

We have determined that the transition funds were applied as follows:

Table 2.8 Transitional Funding Summary

Item	Allocation	Expended	Shortfall
	$	$	$
Labour adjustment (severance and training)	3,133,987	2,826,944	307,043
Major software projects	2,120,000	2,120,000	0
Integration of student information	400,000	400,000	0
Staff training	200,000	200,000	0
Provide Network Access to all schools	118,600	118,600	0
Audit fees	80,000	80,000	0
Assets and records management	40,500	40,500	0
Integration of HR policies	23,000	23,000	0
Transportation (establish cooperation)	25,000	25,000	0
Total	6,141,087	5,834,044	307,043

The severance and training amounts were only available to non-teaching positions that were not being replaced. As a result, if an individual retired and the vacancy was filled, the retirement gratuity could not be taken for this transitional funding.

For the HWDSB, one of the key goals was to establish a consortium to share transportation vehicles with community partners. This goal has not been achieved. This failure has increased transportation expenditures and has limited the Board's ability to maximize savings.

The HWDSB states in its 2002-2003 Budget Booklet that from 1995 to present, the Board has reduced a total of 630 FTE positions. We note that over this same period, 88 FTE EAs were added for a net reduction of 542 FTE positions. We also note that of the 542 FTE positions, 514 were eliminated between September 1995 and September 1998 (i.e. prior to amalgamation).

The streamlining and efficiencies created through the use of the transitional funding was only available since amalgamation. We have noted that staffing levels were reduced from 1998 to 2002 by 108 FTE positions. However, the number of FTE EAs was increased by 66.5 positions, resulting in a net decrease of only 41.5 FTE positions.

The HWDSB needs to clearly explain its strategy for the deployment of teachers and EAs to all of the stakeholders in its educational system, particularly how replacing teachers with Educational Assistants is enhancing the quality of education students are receiving in the classroom.

The transportation funding of $25,000 was used to commence the establishment of a transportation consortium. The consortium is not operational despite the purchase of the identical software that the Hamilton Catholic Board uses. Delays were experienced in converting the data to the new system.

The full migration is expected to be completed and implemented in January 2003. Once complete the HWDSB will be in a position to enter into a fully functional transportation consortium with the HWCDSB.

7. Working Capital Reserves of the HWDSB

Restricted reserves of the predecessor boards are now exhausted with the exception of capital reserves, which are currently being used to construct the new Templemead Elementary School. These are the only remaining reserves.

The working capital reserves are not restricted, and were established to meet the daily operating cash requirements of the board due to the timing of cash receipts. The use of these reserves reduces the amount of money the Board would otherwise be required to borrow from its bankers and therefore the related interest costs are lower.

As at December 31, 1997, the date of amalgamation of the two predecessor boards to the HWDSB, working capital reserves totalled $8,385,391. The reserves are expected to decline to $243,400 or 2.97% for 2002-2003. The Board continues to have sufficient capital reserves to complete the construction of Templemead Elementary School.

The major uses of these reserves since amalgamation net of funds received have been:

- $3,700,000 estimated spending relating to the 2002-2003 school renewal.
- $2,403,200 for retirement gratuities in excess of budgeted amounts; and
- $2,000,000 transfer to the French Board. After amalgamation in 1998, the Education Improvement Commission reviewed the assets, liabilities and program delivery for all Boards. As a result, the HWDSB was required to give the French Board a school and $2 million cash to equalize net assets and programs.

As the need for school renewal spending has increased beyond the amounts budgeted, the working capital reserves have been used to fund school renewal projects in the summer prior to the school year (i.e. pre-spending future budget allocations).

We note that the HWDSB is not currently eligible to obtain new pupil places funding for school construction and/or school additions because it still has excess classroom space as a result of its failure to close schools on a timely basis. The HWDSB has already spent a part of its school renewal budget for the upcoming year, 2002-2003. The Board has identified a number of facility repair projects that need to be completed for health and safety reasons. The funds are returned to working capital reserves in the following year when Ministry funding is received.

The HWDSB staff have suggested that the proposed deficit could be addressed by not returning to reserves the $3.7 million draw used for facility repair projects. However, these funds are stipulated for future construction projects and to draw on them for covering ongoing operating expenditures would not be prudent or appropriate.

8. Comparison to other Boards

In an effort to determine how the HWDSB has performed in managing its financial affairs, we compared its finances to four other Boards of comparable size. Comparable boards were selected on the basis of enrolment, number of schools, geographical similarities; proximity to HWDSB and number of special education students. The boards used for comparison were:

- Hamilton-Wentworth Catholic District School Board.
- Halton District School Board.
- Waterloo District School Board.
- District School Board of Niagara.

The first area of comparison is the pupil to teacher ratio. The following table illustrates that the HWDSB has one of the lowest pupil to teacher ratios in the group. A possible reason for the Board's low pupil to teacher ratio may be inefficiencies due to the Board's failure to close schools, resulting in smaller class sizes.

Table 2.9 compares HWDSB's pupil to teacher ratio to other Boards.

Table 2.9 Pupil to Teacher Ratio Comparison

	Actual				Projected
School Board	**1998-1999**	**1999-2000**	**2000-2001**	**2001-2002**	**2002-2003**
Hamilton-Wentworth DSB	17.19	17.49	17.15	17.41	17.53
Hamilton-Wentworth Catholic DSB	18.36	17.31	17.42	17.43	17.43
Halton District School Board	17.55	17.47	17.30	17.89	18.04
Waterloo District School Board	16.58	16.71	16.67	17.46	18.02
District School Board of Niagara	17.91	17.49	17.26	17.61	17.59

HWDSB's pupil to teacher ratio is the second lowest in the group, next to the Hamilton Catholic Board.

Tables 2.10 and 2.11 compare the classroom spending and funding per pupil (ADE) for the boards in our comparative group. The gross expenditures have been provided by the Ministry.

Table 2.10 Classroom Spending per Pupil

School Board	Actual ($) 1998-1999	1999-2000	2000-2001	2001-2002	Projected ($) 2002-2003
Hamilton-Wentworth DSB	4,020.28	3,971.57	3,975.72	4,167.36	4,361.62
Hamilton-Wentworth CDSB	3,823.52	4,093.59	4,159.89	4,213.25	4,291.83
Halton District School Board	3,951.94	4,053.27	4,225.83	4,164.01	4,097.19
Waterloo District School Board	4,072.91	4,042.93	4,291.03	4,210.91	4,254.38
District School Board of Niagara	3,951.32	3,931.77	4,233.89	4,116.00	4,222.59

Table 2.11 Classroom Funding per Pupil

School Board	Actual ($) 1998-1999	1999-2000	2000-2001	2001-2002	Projected ($) 2002-2003
Hamilton-Wentworth DSB	3,947.58	3,856.28	4,081.63	4,129.60	4,230.56
Hamilton-Wentworth CDSB	3,944.24	3,908.44	4,073.49	4,126.04	4,192.91
Halton District School Board	3,991.53	3,923.27	4,126.38	4,061.11	4,075.32
Waterloo District School Board	4,045.82	3,872.34	4,116.94	4,183.23	4,278.87
District School Board of Niagara	3,925.80	3,836.58	4,025.03	4,001.74	4,177.87

HWDSB's per pupil classroom spending is the highest projected amount for the upcoming school year. Further, the classroom funding provided to the HWDSB has exceeded all Boards with the exception of Waterloo. The higher funding may be explained by the delivery of various extra programs such as English as a Second Language ("ESL"), which is eligible for additional grants. We note that the HWDSB has consistently spent in excess of its funding, which we believe is in part due to the inefficiencies created through the Board's failure to close schools in a timely manner. This has led to an excess supply of custodians and increased maintenance costs in addition to the items described above in the classroom section.

HWDSB's pupil to teacher ratios, classroom spending per pupil and classroom funding per pupil are all very similar to the other four boards with modest differences from year to year. However, unlike the HWDSB, the other four boards all were able to balance their budgets. HWDSB has not been able to explain what set of unique circumstances it faces on a yearly basis that supports the need for budgetary deficits.

Appendix 3

Review of HWDSB's 2002-2003 Budgets

The staff of HWDSB has prepared two budgets for the 2002-2003 fiscal year. See Appendix 4 - Summary.

The first budget, known as the Compliance Budget, was recommended by Staff for Trustee consideration. This budget called for expenditures of $365,589,322, balanced by the same revenues. This budget also included recovery of the estimated $5,000,000 deficit from 2001-2002.

A motion to adopt the Compliance Budget was defeated at the Committee of the Whole meeting by an 8-1 vote with two abstentions.

A second budget, known as the Interim Budget, was prepared by HWDSB Staff at the request of the Trustees. This budget calls for spending of $381,632,027 resulting in a deficit of $16 million. The Trustees approved the Interim Budget by a vote of 9-2 at the Trustees' Committee of the Whole meeting of June 24, 2002.

Our approach in this matter included:

- Review of prior year budget versus actual expenditures.
- Review of the components of the Interim Budget, including supporting documentation, for each expenditure category.
- Discussions with HWDSB senior management, to identify foreseeable changes for this budget.
- Review of the components of the Compliance Budget to determine whether any other foreseeable cost increases or expenditure requirements would impact the achievability of the Budget.
- Review of the HWDSB operations to search for and identify other efficiencies and greater savings.

Please note that this review was conducted at a high level and was undertaken to ensure that the Compliance Budget was complete and achievable.

Adjustments to Staff-Prepared Compliance Budget

Staff prepared a Compliance Budget that failed to include the following expenditures that HWDSB is expected to incur in 2002-2003. The following incremental costs were omitted from the staff-recommended Compliance Budget:

Salary and Health Benefit Increases	$3,863,952
Statutory Benefits and Retirement Gratuity	$ 153,306
Energy	$1,413,534
Insurance	$ 141,944
Total Adjustments	$5,572,736

We have reviewed and evaluated these additional expenditure items as set out below.

Salaries

Staff's estimated expenditures in the Compliance Budget did not include any salary increases for teachers and department heads, while providing only a modest increase for Educational Assistants and Professionals. We understand that the HWDSB is currently in negotiations with the teachers in determining an appropriate salary for 2002-2003. The current teacher collective bargaining agreements expire on August 31, 2002.

Benefit costs

As a result of the above expected salary increases, the cost of the statutory benefits would also increase. In addition, the premiums for health benefits are being renewed and additional information has become available since the Compliance Budget was produced.

Energy

Energy costs for school operations in the Compliance Budget were budgeted to decline by $271,000 or 2.9%. The Interim Budget increased this expenditure by $1,413,534 or 15.2% higher than the 2001-2002 level. Based on recent discussions with staff, we feel that the increase included in the Interim Budget is reasonable and should be used as an estimate for 2002-2003. It should be noted that such increased energy costs would not have been incurred had HWDSB closed some of its older schools.

Insurance

In the Compliance Budget, staff forecasted insurance costs to increase to $980,000, an increase of 3.57% from the prior year. Based on written inquiries of the HWDSB's liability and property insurer, the insurance expense is expected to increase to $1,180,000, an increase of 24.87% versus the prior year. The Interim Budget includes $1,180,000 for insurance costs. We agree with the Interim Budget increase for insurance.

Trustee-Approved Interim Budget

The Trustees rejected the staff's proposed Compliance Budget and requested staff to prepare an Interim Budget that resulted in a deficit of $16 million. Staff's Compliance Budget included the $5 million deficit from 2001-2002. This deficit was arbitrarily allocated to the different areas of the budget on a pro-rata basis.

The Trustees refused staff's Compliance Budget on the following basis:

1. No reductions should be made to 2002-2003's staffing levels or expenditures compared to 2001-2002; and
2. Monies allocated for the 2002-2003 fiscal year should not be used to fund the 2001-2002 deficit budget.

As a result, the Interim Budget includes an arbitrary increase in several expenditure categories to fund the 2002-2003 deficit. The Interim Budget includes higher staffing levels than those that are required for

2002-2003, on the basis that the 2001-2002 staffing level should be sufficient given the fact that enrolment has declined.

Based on our discussions with staff and the Trustees, it is felt that some of HWDSB's budget deficit stem from a teacher strike that took place in 1999. Another area that is frequently cited is the teacher retirement gratuity. Staff and Trustees feel that additional expenditures in these areas are beyond the Board's control, and as such, the Board should not have to fund these discrepancies on its own. The Board feels that it should receive additional funding for these items. In our opinion, such actions and history do not justify staff and Trustees' unwillingness to find efficiencies in HWDSB's operations. Further, the emphasis on these areas only distracts the attention that is warranted on the fact that the Board has not been able to close schools to generate economies of scale and efficiencies.

Further details of the Trustees-approved arbitrary increased spending in the Interim Budget can be found in Appendix 4. We do not agree with the Trustees' arbitrary expenditure increases that are not supported with evidence. In our opinion, additional funds should not be provided for arbitrary spending or to fund previous year deficits.

Overall Adjustments Proposed by Staff to the Investigator

During the course of our investigation, we met with senior staff of the HWDSB to discuss their proposals to address the HWDSB's budgeted deficit for 2002-2003. HWDSB staff proposed several changes in revenue and expenditure recognition matters for the budget totalling $7.2 million.

The staff-proposed changes, which are set out below in more detail, include:

- *Unexpended labour restructuring funds*

  HWDSB was unable to fully utilize its transition funding provided by the Ministry for labour restructuring by August 31, 2001. HWDSB has $307,000 of unused funds that are required to be returned to the Ministry under the existing terms of these grants. Staff has recommended that HWDSB obtain authorization from the Ministry to extend the time period to spend the funds.

Other Boards that have not fully utilized these funds have had to return the money to the Ministry. We were provided with no viable reason by the HWDSB as to why HWDSB should be an exception to the same procedures that apply to other Boards. HWDSB was unable to fully utilize the funds due to Trustee and staff delays in decision-making with respect to increasing its efficiencies in its operations.

- *Labour dispute reimbursement*

HWDSB staff has requested from the Ministry $428,000 in additional funds as a reimbursement relating to a 1999 labour dispute. Staff has only recently made this request to the Ministry. Staff has not acted in a timely matter with respect to the possible reimbursement of these funds. As a result, we have not found supportive reasoning to suggest that this amount will be provided to the HWDSB. As such, we have not included such a reimbursement in our analysis of the deficit.

- *Ministry funds for urgent repairs*

On June 28, 2002, HWDSB received notice from the Ministry that it would receive additional funding of $740,000 to be applied to urgent repairs and renovations. Due to the timing of the notice of the receipt of these funds, they have not been considered in the Compliance or Interim Budgets. Staff has made a request to the Ministry that the funds be used for a computer technology renewal plan. Despite HWDSB's need for school repairs due to its inventory of older schools, staff has proposed to spend the additional funds for a computer technology renewal plan. We have allocated these additional funds to school renewal in our analysis of the deficit in Appendix 4.

- *Immediate draw on 2002-2003 reserves*

HWDSB maintains working reserves for unexpected expenditures. In the past, HWDSB has made attempts to replenish its working reserves. In the 2001-2002 year, HWDSB used $3.7 million of these reserves to fund renovations. HWDSB's 2002-2003 Compliance and Interim Budgets have included an expenditure of $3.7 million to replenish the working reserves. Staff has recently

suggested that the working reserves not be replenished, rather that these funds be used to finance the deficit for 2002-2003.

The working reserves are used as a "safety-net" to fund unexpected and unforeseen expenditures. If the HWDSB does not keep such reserves, it runs the risk of being unable to finance an emergency expenditure. Based on the HWDSB's poor track record of being able to achieve balanced budgets, we do not recommend that these reserves be used to fund the deficit.

- *Reduced estimates for retirement gratuities*

Staff has recommended that the estimated retirement gratuities expenditure in the compliance and Interim Budgets be reduced by $527,000 for 2002-2003. Staff has not provided us with concrete reasons as to why the expected retirement gratuities will likely decrease. In each of the past four years, the budgeted amount for retirement gratuities has been underestimated. The cumulative total underestimation of the payments that were actually made during this period is over $10.5 million. On this basis, we have not reflected the possible reduction of $527,000 for retirement gratuities in our analysis of the 2002-2003 budget.

- *Reduced labour payment*

Staff has indicated that they feel the salary increases included in the Interim Budget are higher than the costs that will actually be incurred. Staff has recommended that salary expenditures in the Interim Budget be reduced by $1,019,000 for 2002-2003. Staff has not provided us with concrete reasoning for the reduction in the estimation of salary increases. As such, we have not adjusted the 2002-2003 budget to reflect staff's revised estimates.

- *Reduction of 2002-2003 textbook spending by applying part of April 2002 special funding*

HWDSB received additional funding of $1,816,000 from the Ministry in April 2002 for textbooks. The Ministry-provided funding for textbooks is restricted and cannot be spent on other areas of the budget. Staff has proposed that $515,000 of these funds be reallocated from textbooks

to finance the deficit. HWDSB will require Ministry consent in order to reallocate these funds. Staff's recommendation suggests that HWDSB does not require the additional textbook funds. Staff's actions also show their willingness to reallocate expenditures from the classroom to other areas that are operating inefficiently, mainly due to the lack of school closures.

Conclusion

Based on our review of the staff-recommended Compliance and Trustee-approved Interim Budgets, we have analyzed the different budget areas and have used the Trustee-approved Interim Budget as a starting point. Inefficiencies exist in the Interim Budget; these are discussed in Appendix 4 of our report.

Appendix 4

Introduction

This appendix examines the staff-proposed Compliance Budget as well as the increases proposed by the Trustees. The Trustee revised budget known as the Interim Budget.

Our analysis included a review of efficiencies that could be incorporated. We have reviewed numerous alternatives and have attempted to assess the feasibility of the various options. A balanced budget can be achieved for 2002-2003 by implementing a number of the recommended changes.

During our investigation, we identified a number of potential opportunities to streamline operations to produce efficiencies. We requested the HWDSB Board staff's help in investigating those opportunities and to prioritize the opportunities according to those that offered the greatest short and longer term potential. HWDSB staff declined to assist us in this regard on the basis that they were satisfied that all potential efficiencies had already been identified.

Specifically, we examined the following with respect to the 2002-2003 budget:

1. The meetings and workshops leading to the development of the staff proposed budget on:

Date	Meeting
April 11, 2002	Trustee budget workshop addresses challenges and parameters to Budget Development.
May 27, 2002	Trustees' caucus to ask questions of staff.
May 30, 2002	In-camera budget information session for trustees.

2. Nature of staff recommended budget preview presented June 3, 2002.
3. Nature of discussions of Trustees' in-camera session on June 10, 2002.
4. Review of basis for Trustees' rejection of staff-proposed Compliance Budget and subsequent approval of Interim Budget on June 24, 2002.

5. An analysis of staff recommended budget adjustments that can be implemented for September 2002.

Our conclusion is that a balanced budget is attainable for 2002-2003. See Appendix 4 – Summary at the end of this Appendix. The recommendations included in this report are but one way of achieving a balanced budget.

Appendix 4

Exhibit 1

School Closures

1. Overview

The HWDSB is the result of the amalgamation of the City of Hamilton School Board and the Wentworth District School Board on January 1, 1998. The merged board, located between the Halton, Waterloo and Niagara areas currently operates:

- 114 elementary schools and
- 18 instructional secondary schools and three former secondary schools for non-instructional purposes.

In 1998, staff developed a school closure plan that was presented to the Board. Table 1 below summarizes staff's recommendations and the Trustees' approvals relating to school closures, as well as the actual number of schools that have been closed to date.

Table 1 – Summary of Schools Recommended and Approved for Closure

Date of Staff Report	Recommended	Approved	Number Closed	Date of Closure
October 1998	17 elementary 3 secondary	1 elementary	1 elementary	June 1999
April 2000 *	20 elementary 3 secondary	None	None	None
March 2001	16 elementary 1 secondary	13 elementary 1 secondary	2 elementary 1 secondary	2001 and 2002

* Of the 23 schools that were recommended for closure in April 2000, 11 were previously recommended for closure in October 1998.

2. School Closure Process

On September 24, 1998, Trustees passed its School Closure Policy (Policy No. 4.01 Facilities). This policy sets out the basis and timing on which the HWDSB can close schools.

In October 1998, HWDSB staff developed and provided a list of 20 schools that they recommended should be closed. These schools had a combined capacity of approximately 8,600 pupil places. The Trustees only approved the closure of one elementary school. The Trustees indicated to staff that further data and inquiry would be required before any decisions could be made relating to school closures. The Trustees approved a multi-year and multi-phased school closure process that involved numerous committees with community representatives on each committee.

During the implementation of the multi-year and multi-phased school closure process, 15 committees were established to assess the appropriateness of proposed school closures. Each committee had representation from a variety of stakeholder groups, and some committees had up to 35 members. The committees were unable to decide on which schools should be closed.

In April 2000, staff proposed the closure of 23 schools, which were subject to the deliberations of the committees. In 2000, no schools were approved for closure.

In March 2001, based on the results from the various committees and studies that were performed, the staff recommended the closure of 17 schools, of which 14 were approved. To date, only 3 schools have been closed. Most of the schools that were approved for closure require new schools to be built to accommodate the students who are currently enrolled in those schools.

Staff did not recommend any further school closures in 2002.

3. Hamilton-Wentworth's Geographic Area

The geographic area served by the HWDSB is known as the Hamilton escarpment, which divides the area between the low-lying sector adjacent to Lake Ontario and the areas on the escarpment known as the "Mountain". In addition, the HWDSB district includes a large rural area that is sparsely populated. The rural area surrounds the urbanized City and Mountain areas.

HWDSB staff have prepared and provided us with an analysis of the enrolments and capacity of the HWDSB, using the geographic areas that have been discussed above for the elementary schools. The secondary schools have much larger catchment areas (boundaries) than the elementary schools, and their enrolments have been separated between the eastern and western parts of the HWDSB.

Table 2 below illustrates HWDSB's capacity and enrolment for 2001-2002 by geographic area.

Table 2 – Capacity and Enrolment by Geographic Area

Category	2001-2002 Capacity	2001-2002 Enrolment	Utilization Factor
Elementary			
Hamilton City	16,562	14,079	85.0%
Enrolment			
Hamilton	12,406	11,222	90.5%
Mountain			
Elementary in			
outlying areas	11,592	11,640	100.4%
Subtotal,	40,560	36,942	91.1%
Elementary			
Secondary East	9,345	8,570	91.7%
Secondary West	10,791	10,328	95.7%
Subtotal	20,136	18,898	93.8%
Total	60,696	55,839	92.0%

As illustrated in Table 2, HWDSB's inner-city and Mountain elementary schools are under-utilized while the rural areas are operating at a level over their capacity. Secondary schools are operating under capacity, particularly in Hamilton East. HWDSB faces the problem of having to accommodate both

urban and rural areas, similar to other large-city Boards. The outlying areas have developed over the years, requiring HWDSB to build new schools to accommodate these students. HWDSB's inner-city schools are older schools in need of substantial maintenance and are currently under-utilized. Delayed decisions to close old inner-city schools and delays in actually closing schools have affected the Board's ability to build new schools in the rural areas, where students may be over-crowded because the delays in actually closing schools have made the HWDSB ineligible for New Pupil Places funding to build new schools.

4. Program for New Pupil Places

The Ministry provides New Pupil Places grants to school boards with enrolments in excess of capacities. HWDSB has not been able to receive the new pupil places grants in the past years because its schools have been operating under capacity. Table 3 compares HWDSB's new pupil places grants to other Boards.

Table 3 – Comparison of New Pupil Places Grants

	Actual			
	1998-1999 ($)	1999-2000 ($)	2000-2001 ($)	2001-2002 ($)
Hamilton-Wentworth District School Board	Nil	Nil	Nil	826,052
Hamilton-Wentworth Catholic DSB	1,697,970	2,019,837	3,981,895	5,761,768
Halton District School Board	3,245,607	6,021,263	7,580,066	8,595,015
Waterloo Region District School Board	1,644,136	5,270,501	8,859,959	9,066,706
District School Board of Niagara	Nil	Nil	Nil	Nil

As illustrated in Table 3, HWDSB has not been able to obtain new pupil places funding from 1998 to 2000. The Hamilton-Wentworth Catholic Board has been able to obtain over $13 million of funding to build new schools. The Catholic Board serves the same area as HWDSB. Some reasons for the difference in funding include: the Catholic Board's enrolment has increased over the years while the HWDSB's enrolment has decreased; and the HWDSB has not been able to efficiently close enough schools to bring

its schools closer to capacity. As such, the HWDSB's capacity in its schools has hindered its ability to obtain additional funding to build new schools.

5. Delay in Closing Schools

As illustrated previously in Table 1, staff recommended the closure of 20 schools in 1998. The Trustees did not approve the closure of a substantial amount of pupil places until 2001. The Trustees' delay in deciding which schools should be closed has resulted in the Board operating at an inefficient level for the last four years.

A number of factors must be considered in determining the closure of certain schools. Once the community consultations take place, considerations should be focused on the management and logistics of implementing a school closure. Specific areas to consider include staff allocation, revising transportation arrangements, planning repairs and renovations on the receiving schools and program allocation. It appears as though the Trustees did not consider the above factors in approving which schools were to be closed.

Most of the schools that were approved by the Trustees for closure require a new school to be built to accommodate the existing students. As such, many of the 14 approved schools have not been closed to date. The list of recommended school closures that was provided by staff included other schools that would not require the construction of replacement facilities and could therefore have easily been closed with minimal administrative work. The basis for the Trustees' decision as to why these schools were not selected for closure is not well-documented

As indicated earlier, the Trustees approved the closure of 14 schools in March 2001. After the approval to close certain schools was made in March 2001, staff has been able to implement the closure of one elementary and one secondary school in June 2001. However, staff did not implement the closure of one elementary school, Bennetto, until June 2002. Staff's delay in closing Bennetto was due to the re-development of the catchment areas and the re-deployment of the Bennetto students. It should be noted that other School Boards have been able to re-define boundaries to re-deploy students to other schools and

effectively close an elementary school in less than 10 months. Staff's delay in closing schools has also contributed to HWDSB's inefficiencies.

6. Alternatives and Analysis

Time Delay by Staff

In March and April 2001, the Board decided on the closure of 14 schools, of which only 3 have been closed to date. Of the list of the schools that have been approved for closure, Seneca elementary school is scheduled to close in June 2003, which is more than two years after the school was approved for closure. The Seneca students will be re-deployed to Chedoke, which requires renovations prior to receiving the additional schools. Why have these renovations not been a priority to staff and the Trustees? Why is it taking staff more than two years to close one elementary school? This is an example of staff's slow and inefficient process to implement the closure of schools, resulting in increased costs to the HWDSB rather than cost efficiencies.

Selection of Schools by Trustees

The Trustees' selection of the schools that were approved for closure has greatly impacted the Board's ability to close schools in an expeditious fashion. The following schools, listed in Table 4, were recommended in 2001 by staff to be closed If approved, these school closures would not have required a long period of time to implement.

Table 4 – Sample of Schools Recommended for Closure

School	Type	Capacity	Enrolment (2001-2002)	Utilization Factor
Lynden	Elementary	146.5	62.5	42.7%
Sheffield	Elementary7	3	61	83.6%
Dundana	Elementary	400.5	287	71.7%
Lloyd George	Elementary	443	158	35.7%
Parkview Vocational	Secondary	534	372	69.6%

The above schools are currently under-utilized. The students in the above schools can be easily moved to nearby schools with minimal changes to bussing and scheduling. The total amount of pupil places that would be eliminated by the consolidation of these schools is 1,597 (1,063 elementary and 534 secondary).

Templemead Consolidation

Another area where efficiencies can be sought is in the Hamilton Mountain district, where the new Templemead elementary school is currently being built. The Templemead elementary school is currently under construction and is anticipated to be ready by September 1, 2003. Templemead will have the capacity to accommodate up to 522 pupil places. The construction of the school is estimated to cost the Board $8.85 million. We understand that the Board has sufficient capital reserve funds to complete the construction of the school for September 2003.

There are currently six elementary schools in the same area where Templemead is being built. Excess capacity exists at these schools. Staff has advised us that the redefining of the catchment areas in this district will enable HWDSB to consolidate four of the six existing elementary schools once Templemead is opened. According to Board staff, the consolidation will be accomplished by transferring the students from two of the existing schools to Templemead. Students at the other two schools to be closed will be transferred to the two existing schools and the combined student bodies at each of these schools will be accommodated by expanding the school's physical space. The six schools in the catchment area with their capacity and enrolment figures are listed in Table 5.

Table 5 – Schools to be Consolidated with Templemead

School	Capacity	Enrolment (2002-2003)
Fernwood Park	228.5	189.5
Hampton Heights	403.5	388
Huntington Park	433	395
Highview	473.5	467
Peace Memorial	400.5	234
Sherwood Memorial	326.5	265
Total	2,265.5	1,938.5

In March 2001, the staff recommended the closure of Fernwood Park and Peace Memorial; these were approved by the Board. Staff has not yet provided a recommendation to the Board regarding the closure of two additional schools in the area. The two additional schools need to be approved for closure to maximize efficiencies in the Templemead area. If four schools (two currently approved and two additional schools to be approved) are not closed in the area prior to the opening of Templemead, HWDSB will simply add to its capacity, further reducing the overall school utilization rate and thereby impairing its eligibility for new pupil places grants.

7. Recommendations

As the closure of schools is time consuming, additional schools cannot be closed for September 2002. However, certain schools can be closed for January 2003 and September 2003 if action is taken immediately, pursuant to the HWDSB's policy.

We have requested that staff provide us with an estimate of annual cost savings related to the maintenance, utilities and overhead costs that are associated with operating elementary and secondary schools. Staff have refused to provide us with such cost savings figures. As a result, we have used existing data to estimate that the average annual cost savings related to maintenance, utilities and other overheads of an HWDSB elementary school is $200,000 and an HWDSB secondary school is $680,000.

Seneca Elementary School

Based on our analysis, a priority should be made to close Seneca elementary school in January 2003. The closure of Seneca should not be disruptive to students, as the analysis has already been performed to allow the students to transfer to Chedoke. Any renovations that are required to be made to Chedoke to accommodate the Seneca students should be performed prior to January 2003.

Trustee Non-Approved Schools

We recommend that the following schools be closed for January 2003:

1. Lynden Elementary
2. Sheffield Elementary
3. Dundana Elementary
4. Lloyd George Elementary
5. Parkview Vocational Secondary

The above schools can be closed with little disruption to the system, as students can be easily re-directed to neighbouring schools. The staff should be able to quickly implement the closure of such schools as minimal busing and re-scheduling is required.

Fiscal Year 2002-2003 Savings Associated with Trustee Approved and Non-Approved School Consolidations

We have estimated that HWDSB will be able to generate cost savings of $1,126,000 for 2002-2003 as a result of the closure of the above schools. We have calculated the $1,126,000 cost savings as follows:

Elementary schools 5 x $200,000 x 67%[1] = $670,000

[1] Given that a January 2003 closing date falls after one third of the year, we have assumed that two thirds of the annual savings would accrue to the HWDSB for the 2002-2003 fiscal year.

Secondary schools	1 x $680,000 x 67% =	$456,000
		$1,126,000

Templemead Consolidation

The cost savings related to the Templemead consolidation will not take place until Templemead elementary school is opened in September 2003. A plan must be put in place to ensure that four of the six elementary schools in the Templemead area are closed to allow for cost savings and efficiencies to take place in the 2003-2004 year.

Summary

We recommend the closure of 5 elementary and 1 secondary school to take place in January 2003. These schools currently have 1,950 pupil places. Such actions will result in cost savings to HWDSB for 2002-2003 of approximately $1,126,000. The HWDSB is expected to enjoy greater financial efficiencies in future years as a result of the above closures.

In 1998, staff recommended the elimination of over 8,600 pupil places for the HWDSB. To date efforts have been made to remove only 2,200 pupil places. The lack of prompt action on school consolidations is worsened by the fact that, since the Board staff's recommendations were made in 1998, the HWDSB's enrolment has continued to decline. We recommend that a school closure plan be developed and implemented immediately. The plan should include the elimination of at least 4,300 pupil places by 2003-2004.

Appendix 4

Exhibit 2

Elementary Teachers

	Expenditures	Number of FTE
Compliance Budget	$136,335,410	2,016.40
Interim Budget	$141,295,295	2,024.00

2001-2002 Budget	2001-2002 Actual	Variance
$134,735,664	$134,540,175	$195,489

Staff-Proposed Compliance Budget

The staff proposed that 2,016.4 full-time equivalent ("FTE") elementary teachers be employed by the HWDSB for 2002-2003. As indicated in Appendix 3, staff did not consider any salary increases in preparing the Compliance Budget. As a result, staff's proposed expenditures for elementary teachers are not attainable for 2002-2003.

Trustee-Approved Interim Budget

The Trustee-Approved Interim Budget approved 2,024.0 FTE elementary teachers to be employed by the HWDSB for 2002-2003. The Trustees reinstated 7.6 FTE elementary positions from the staff-proposed budget in order to maintain teaching positions at the 2001-2002 staffing levels. The Trustees have failed to provide concrete reasons to increase the staffing levels, especially as HWDSB's enrolment for 2002-2003 is expected to decrease from the previous year.

The Trustee-Approved Interim Budget takes into account expected teacher salary increases for 2002-2003. As such, we have based expected salary expenditures on the Interim Budget figures.

Analysis

Based on our discussions with staff, we understand that 2,011.0 FTE elementary teacher positions are required for 2002-2003. To date, staff has filled 2,005.4 FTE elementary teacher positions for 2002-2003, resulting in 5.6 FTE positions that are vacant for September 2002.

Alternatives

The following alternatives are available to HWDSB for 2002-2003:

1. Implement the staffing levels that were previously suggested by staff.
2. Implement the staffing levels that have presently been filled.

Staffing Levels Previously Suggested by Staff

As indicated, staff has suggested that 2,011 elementary teacher positions are required for 2002-2003. As such, the Interim Budget has 13.0 excess FTE positions. Based on an average teacher salary of $67,000, the adjustment from the Interim Budgeted FTE positions of 2,024 to 2,011 elementary teacher positions would generate $871,000 of savings for 2002-2003.

Staffing Levels That Have Been Filled

To date, the HWDSB has filled 2,005.4 FTE elementary teacher positions, resulting in 5.6 FTE vacant positions for 2002-2003. If the additional 5.6 FTE positions were removed along with the 13.0 excess FTE positions discussed above, the HWDSB could enjoy savings from the removal of 18.6 excess FTE positions. Such actions would result in savings of approximately $1,246,000 for 2002-2003.

Feasibility

Staff has suggested that the required level of FTE elementary teachers for 2002-2003 is 2,011. Based on our experience with staff and its budgeting expertise, we feel that the HWDSB may be able to operate without filling the vacant 5.6 FTE positions. If such is not the case, the HWDSB could implement a plan during the school year to hire the additional required positions. The Ministry should monitor any increases to ensure that efficiencies and cost savings are being considered.

Recommendations

We recommend that the HWDSB not hire any additional elementary teachers for 2002-2003. The Board currently has contracted 2,005.4 FTE elementary school teachers for 2002-2003. We believe the Board should be able to function effectively with the contracted level of teachers. If the staffing level of 2,005.4 FTE elementary teachers were maintained for 2002-2003, it would result in savings of approximately $1,246,000 for 2002-2003.

Appendix 4

Exhibit 3

Secondary Teachers

	Expenditures	Number of FTE
Compliance Budget	$81,892,687	1,175.58
Interim Budget	$86,122,257	1,198.08

2001-2002 Budget	2001-2002 Actual	Variance
$82,256,350	$83,094,039	$(837,689)

Staff-Proposed Compliance Budget

The staff proposed that 1,175.58 FTE secondary teachers be employed by the HWDSB for 2002-2003. As indicated in Appendix 3, staff did not consider any salary increases in preparing the Compliance Budget. As a result, staff's proposed expenditures related to secondary teachers are not attainable for 2002-2003.

Trustee-Approved Interim Budget

In the Interim Budget, the Trustees approved 1,198.08 FTE secondary teachers to be employed by the HWDSB for 2002-2003. The Trustees reinstated 22.5 FTE secondary positions from the staff-proposed budget in order to maintain teaching positions at the 2001-2002 staffing levels. As with the elementary teachers, the Trustees have failed to provide concrete reasons for increasing the staffing levels, especially given the HWDSB's enrolment for 2002-2003 is expected to decrease from the previous year.

The Trustee-approved Interim Budget takes into account expected teacher salary increases for 2002-2003. As such, we have based expected salary expenditures on the Interim Budget.

Analysis

Based on our discussions with staff, we understand that 1,171.2 FTE secondary teacher positions are required for 2002-2003. To date, staff has filled 1,168.37 FTE secondary teacher positions for 2002-2003, resulting in 2.83 FTE positions that are vacant for September 2002.

Alternatives

The following alternatives are available to HWDSB for 2002-2003:

1. Implement the staffing levels that were previously suggested by staff.
2. Implement the staffing levels that have presently been filled.

Staffing Levels Previously Suggested by Staff

As indicated, staff has suggested that 1,171.2 FTE secondary teacher positions are required for 2002-2003. As such, the Interim Budget has 26.88 excess FTE positions. Based on an average secondary teacher salary of $69,000, an adjustment from the Interim Budgeted FTE secondary teacher positions of 1,198.08 FTE to 1,171.2 FTE would generate savings of $1,855,000 for 2002-2003.

Staffing Levels That Have Been Filled

To date, the HWDSB has filled 1,168.37 FTE secondary teacher positions, resulting in 2.83 FTE vacant positions for 2002-2003. If the additional 2.83 FTE positions are removed along with the 26.88 excess FTE positions discussed above, the HWDSB could enjoy savings from the 29.71 excess FTE positions included in its Interim Budget. Such actions would result in savings of approximately $2,050,000 for 2002-2003.

Feasibility

Staff has suggested that the required staffing level for elementary teachers for 2002-2003 is 1,171.2 FTE. Based on our experience with staff and its budgeting expertise, we believe that the HWDSB may be able to operate without filling the vacant 2.83 FTE positions. If such is not the case, the HWDSB could implement a plan during the school year to hire the additional required positions. The HWDSB should monitor any increases to ensure that efficiencies and cost savings are being considered.

Recommendations

We recommend that the HWDSB not hire any additional elementary teachers for 2002-2003. The Board currently has contracted 1,168.37 FTE secondary school teachers for 2002-2003. We believe that the Board should be able to function effectively with the contracted number of teachers. If the level of 1,168.37 FTE secondary teachers were maintained for 2002-2003, it would result in savings of approximately $2,050,000 for 2002-2003.

Appendix 4

Exhibit 4

Supply Teachers

	Expenditures
Compliance Budget	$6,000,000
Interim Budget	$6,195,247

2001-2002 Budget	2001-2002 Actual	Variance
$4,763,035	$7,055,944	$(2,292,909)

Staff-Proposed Compliance Budget

In the Compliance Budget staff proposed that $6,000,000 be spent on supply teachers in 2002-2003. The supply teachers instruct classes for absent teachers. Support is offered immediately in elementary schools. Secondary schools use existing teachers as "on-call" staff to provide initial relief. For extended absences, supply teachers are hired. Supply teachers are also used when Principals are absent, as the teacher-designate handling administration must have a classroom replacement.

Trustee-Approved Interim Budget

The Trustees proposed that the Interim Budget increase expenditures for supply teachers by $195,000. Of the $195,000, $71,000 relates to the deficit from 2001-2002. The remaining increase of $124,000 has been arbitrarily provided to fund the historical overspending on supply teachers.

Analysis

Supply teachers is an expenditure area that has been poorly controlled by HWDSB. The supply teacher expenditures have traditionally been greater than the budgeted amounts.

The following chart compares HWDSB's supply teacher spending per pupil over the last four years to the Provincial average supply teacher spending per pupil.

	Actual			
	1998-1999	1999-2000	2000-2001	2001-2002
	$	$	$	$
HWDSB	88.83	98.91	121.48	126.43
Provincial	102.18	102.38	106.94	99.65

HWDSB's supply teacher expenditure per pupil is well above the Provincial average. HWDSB's failure to control supply teacher spending is also evident by the increase in spending per pupil over the years. We understand that other School Boards have been able to spend a significantly lower amount on supply teachers per pupil than HWDSB.

The quality of student education is heavily dependent on having qualified teachers in classes on a consistent basis so that curriculum can be followed and progress of students maintained through the continuity of instructors.

HWDSB currently does not have a system in place to monitor teacher absenteeism. As such, HWDSB has not implemented any controls for the amount of dollars expended on supply teachers. We understand that HWDSB has incurred significantly higher expenditures on supply teachers in the month of June, where the assigned teacher is needed in the classroom the most to ensure that the students' year is ended successfully.

We believe that given the lack of control in the system and what would appear to be an abuse of the system, we recommend that these expenditures be reduced significantly to help address the budgetary deficit. Such action will hopefully encourage more discipline in the management of this expenditure.

Feasibility

The remaining teachers that are not absent in the schools will be required to instruct the classes of their absent colleagues. Such a system may give teachers an incentive to avoid absenteeism where possible.

Recommendation

We recommend that immediate steps be taken to control costs for supply teachers. Inefficiencies exist in the use of supply teachers, especially in the month of June. Based on HWDSB's abuse of supply teachers, it should be able to operate with less use of supply teachers than currently budgeted. As such, we recommend that the budget for supply teachers be reduced by $1,895,000, providing HWDSB with a remaining budget of $4,300,000 which should be sufficient based on an average spending of $430,000 per month.

Appendix 4

Exhibit 5

Educational Assistants

	Expenditures	Number of FTE
Compliance Budget	$12,587,514	422.00
Interim Budget	$13,267,841	430.00

2001-2002 Budget	2001-2002 Actual	Variance
$12,355,175	$12,103,414	$251,761

Staff-Proposed Compliance Budget

The Staff proposed that 422.0 FTE Educational Assistants ("EAs") be employed by the HWDSB for 2002-2003. EAs provide classroom assistance to teachers in the areas of Special Education, Learning Opportunities, and English as a Second Language ("ESL") and other. The Compliance Budget planned for 400.0 FTE EAs to be used in special education and 22.0 FTE EAs to be used for Learning Opportunities. The Compliance Budget did not take into account any salary increases for 2002-2003. The Compliance Budget includes total expenditures of $12,587,514 for EAs.

Trustee-Approved Interim Budget

The Interim Budget differs from the Compliance Budget in that it includes expected salary increases for EAs and it also includes additional 8 FTE EA positions. As a result, the Interim Budget proposed that HWDSB hire 430 FTE EA positions for 2002-2003, maintaining the same staffing level as 2001-2002. The Trustees approved that the increase of 8 FTE EAs would be allocated to the Learning Opportunities program. The Trustees did not provide any supportable reason for the increase of 8 FTE positions, other than the fact they felt the EA staffing level should remain the same as 2001-2002.

Analysis

Based on our discussions with staff, we understand that HWDSB has currently contracted 422.0 FTE, of which 400.0 FTE have been allocated to special education and 22.0 are to be used for Learning Opportunities. According to the staff, HWDSB could operate efficiently and effectively with 422.0 FTE EAs for 2002-2003, especially since enrolment is expected to decline for 2002-2003.

Alternatives

HWDSB can maintain its current staffing level of EAs at 422 FTE positions, or it could increase its staffing by 8 FTE positions, as suggested in the Interim Budget. The Interim Budget does not provide supportable reasons for the increase in EA positions. These positions are currently vacant, as staff has only hired up to the staffing level in the Compliance Budget.

Feasibility

Since the additional 8 FTE EA positions dictated by the Interim Budget have not been filled, HWDSB can eliminate the vacant positions.

Recommendation

We recommend that the HWDSB not hire any additional EAs for 2002-2003, resulting in a total of 422 FTE EAs positions, as recommended in the Compliance Budget. As such, the 8 FTE vacant positions should not be filled, resulting in cost savings of approximately $240,000.

Appendix 4

Exhibit 6

Classroom Textbooks, Supplies And Other Costs

	Expenditures
Compliance Budget	$12,448,150
Interim Budget	$12,631,885

2001-2002 Budget	**2001-2002 Actual**	**Variance**
$12,522,202	$12,522,202	Nil

Staff-Proposed Compliance Budget

The Staff proposed a Compliance Budget expenditure of $12,448,150 for 2002-2003. Classroom textbooks, Supplies and Other Costs includes spending for textbooks and learning materials; classroom supplies; classroom computers; curriculum delivery; and student services.

Trustee-Approved Interim Budget

In 2001-2002 HWDSB incurred a deficit of which $183,735 was arbitrarily allocated to be paid out of classroom textbooks and supplies. (This arbitrary allocation is discussed in Appendix 3.) Trustees have increased the expenditures in this category to compensate for 2001-2002's deficit. Rather than improve efficiencies to avoid running another deficit, Trustees have increased expenditures. No reasonable basis has been presented to justify an arbitrary spending increase of $183,735 or 1.45%.

Analysis

School Principals can request a carryover of the unexpended amounts to the following budget year, if the Principal applies to the Board for approval. Up to 10% of any school's unexpended amount can be automatically carried forward to the next year. In addition, a principal can apply to have a larger portion carried forward.

In the past few years, HWDSB's school budgets have not been fully expended. The following chart summarizes the Board's history of unexpended school budgets.

	1998-1999	1999-2000	2000-2001	2001-2002
Unexpended School Budget	$813,379	$744,364	$554,641	$1,568,397

Based on the above results, the schools are not spending the full amount of funding that they have been allocated. As such, the full amount of these funds is not required as supported by staff's proposal to reallocate textbook funding.

In April 2002, The Ministry of Education provided an additional $65.0 million to be used for the purchase of textbooks and learning resources. The intent was for boards to spend this one-time investment, in addition to, the amount budgeted for 2001-2002. The HWDSB was provided with $1,816,457 under this initiative. Any portion of the one-time investment that is not spent in 2001-2002 can be carried forward to 2002-2003. However, if the amount is not spent in 2002-2003, then the Ministry will recover the unspent portion.

The base level for textbooks and learning resources for the HWDSB is $3,039,500 and the proposed spending in the Interim Budget is $3,039,500, therefore, Ministry guidelines would be satisfied. However, we are advised that the HWDSB has applied to the Ministry for a one-year extension for use of the one-time investment funds, effectively allowing the HWDSB to reduce the budget expenditure by $515,000. (This is discussed in greater detail in Appendix 3.)

Based on the excess of funds available in school budgets and the increase in additional funding for textbooks, excess funds has been allocated to supplies and other costs in the Interim and Compliance Budgets.

Feasibility

The funding amount of $9,788,918 for this item is a combination of the Foundation Grant and Special Purpose Grants and must be used in the classroom. Therefore flexibility for reductions of these amounts is limited. However, the remaining funding, consisting of school support allocations, can be allocated to other areas.

Recommendation

Based on our analysis above, historically HWDSB has not required the full amount of its school budget allocation. As such we recommend that the full amount of the current year's carry forward figure of $1,568,397 be used to fund the projected 2002-2003 deficit. We also recommend that an additional $500,000 be reallocated from school budgets to other areas of the budget as HWDSB has illustrated in the past, it will likely have excess funds of over $500,000. As a result, our total recommended reduction to this area is $2,068,397.

Appendix 4

Exhibit 7

Classroom Computers

	Expenditures
Compliance Budget	$3,217,718
Interim Budget	$3,265,052

2001-2002 Budget	2001-2002 Actual	Variance
$3,258,526	$3,258,526	Nil

Staff-Proposed Compliance Budget

Staff proposed expenditures of $3,217,718 in this area. This spending is comprised of:

- $2,157,239 for the computer renewal plan.
- $798,000 for the wide area fibre wire network for linking schools.
- $50,000 for the Trevlac is an annual service contract.
- $32,560 for classroom computer leases.
- $179,919 for classroom computer purchases.

In discussing this matter with senior staff, input was provided by way of a summary memorandum and additional information.

Trustee-Approved Interim Budget

The Trustees approved an additional $47,334 in spending for this area in the Interim Budget as an allocation of the deficit from 2001-2002, as discussed in Appendix 3.

Analysis

Most of the spending on classroom computers is already committed to by contract, except for the discretionary purchases of classroom computers, being $180,000.

An analysis of the "Fibrewired contract" indicated that savings are possible through the elimination of sites. The contract provides for savings of $6,000 per site to a maximum of 5 sites. Based on the recommended school closures, savings of up to $30,000 can be achieved.

Feasibility

Reducing the installation of new classroom computers in the schools will defer the upgrading of the school computers systems. Once the cost savings from closing schools are realized, more funds can be allocated to computers as required.

Recommendation

We recommend that computer spending be reduced by $47,000 based on the arbitrary increase in the Interim Budget to fund a portion of the 2001-2002 deficit. In addition, we recommend that the proposed new purchases of $180,000 be delayed to the next fiscal period and in fact may be lessened if schools are closed and existing equipment is reallocated. As a result, we recommend computer-spending reductions of $257,000 , consisting of:

Discretionary purchases	$180,000
Fibrewire for schools to be closed	$ 30,000
Funding of 2001-2002 deficit	$ 47,000
Total	$257,000

Appendix 4

Exhibit 8

Professional And Paraprofessional Staff

	Expenditures	Number of FTE
Compliance Budget	$6,844,701	118.80
Interim Budget	$7,012,223	118.80

2001-2002 Budget	2001-2002 Actual	Variance
$6,536,844	$6,523,961	$12,883

Staff-Proposed Compliance Budget

The Staff proposed that 118.8 FTE Professional and Paraprofessional Staff be employed by the HWDSB for 2002-2003. The Professionals and Paraprofessionals provide support services including, but not limited to, psychological assessments, speech and language assessments, social work services and aid in the filing of ISA claims. The Compliance Budget projected total expenditures of $6,844,701 for 2002-2003.

Trustee-Approved Interim Budget

The Trustees approved staff's proposal of 118.8 FTE positions in the professional and paraprofessional staff. The Interim Budget increased this expenditure area to reflect the additional costs associated with temporary assistance in providing support services and an allocation for reasonable compensation adjustments. The Interim Budget increased expenditures to $7,012,223.

Analysis

We have investigated this area, and accept the trustees' Interim Budget expenditures. We understand that HWDSB is undertaking ISA assessments for its special education students, which are performed by the professional staff.

Recommendation

We recommend that the Interim Budget expenditures be maintained for this area. Once the ISA assessments are complete, efficiencies may be found in this area.

Appendix 4

Exhibit 9

Staff Development

	Expenditures
Compliance Budget	$777,393
Interim Budget	$788,829

2001-2002 Budget	2001-2002 Actual	Variance
$786,261	$983,368	$(197,107)

Staff-Proposed Compliance Budget

The Staff-proposed Compliance Budget included expenditures of $777,393 for this area. This spending includes:

- $191,519 for training of teachers ($60 per FTE).
- $42,200 for training of Educational Assistants ($100 per FTE).
- $11,880 for training of Professionals and Paraprofessionals ($100 per FTE).
- $381,794 for the HWDSB's Strategic Directions development initiative.
- $150,000 for Central Office development and planning

Trustee-Approved Interim Budget

The Trustees approved an additional $11,436 in spending for this area, distributed among teacher training, Educational Assistant training and strategic directions spending.

Analysis

We have reviewed this area and agree with the Interim Budget expenditures.

Recommendation

We recommend that the Interim Budget expenditures be accepted for 2002-2003.

Appendix 4

Exhibit 10

Principals, Vice-Principals And Department Heads

	Expenditures
Compliance Budget	$17,741,588
Interim Budget	$17,995,096

2001-2002 Budget	2001-2002 Actual	Variance
$17,603,341	$18,199,734	$(596,393)

The placement of Principals, Vice-Principals and Department Heads is for the most part, determined based on the number of schools and school size (i.e. larger schools require more administration).

Staff-Proposed Compliance Budget

The Compliance Budget proposed staffing for 2002-2003 of: 102.0 FTE Elementary Principals; 30.0 FTE Elementary Vice-Principals; 17.13 FTE Secondary Principals and 31.0 FTE Secondary Vice Principals (note 0.87 FTE Secondary Principal is allocated to Continuing Education) . The composition resulted in a Compliance Budget expenditure of $17,741,588 for 2002-2003.

Trustee-Approved Interim Budget

The Trustees did not alter the staffing levels and proposed that this expenditure be increased by $253,508. This adjustment was to reflect the additional costs associated with short-term Principal and Vice-Principal contracts required for staff absences.

Analysis and Alternatives

The HWDSB has begun hiring to fill vacant positions with an objective of starting the school year with the Compliance Budgeted positions. Currently all secondary positions have been filled, but there are 10.0 FTE vacancies in the elementary schools, comprised of 4.0 FTE Principals and 6.0 FTE Vice-Principals. We are of the view that these positions would not be required had the board acted in a timely fashion to close schools. Based on our recommendation to close four elementary schools in January 2003, HWDSB will be able to operate with less Principals and Vice-Principals for 2002-2003. If needed, certain smaller schools can be twinned before the schools are closed. This would result in a reduction of 4.0 FTE elementary principals, saving $388,000 and a further 6.0 FTE elementary vice-principals saving $516,000, for a total savings of $904,000.

Feasibility

HWDSB has not filled all its budgeted positions for elementary Principals and Vice-Principals. Given that we have recommended that four elementary schools be closed in January 2003, we feel that the Board will be able to operate without the excess Principals and Vice-Principals. The Board can twin Principals and Vice-Principals to accommodate the existing schools from September 2002 to December 2002 (up until the school closures will take place).

Recommendation

As a result of HWDSB's excess number of schools, and our recommendation to consolidate schools for 2002-2003, we recommend that the vacant positions for Elementary Principals and Vice-Principals not be filled. We have estimated that such action would result in savings of $904,000.

Appendix 4

Exhibit 11

School Office

Compliance Budget	$9,290,077
Interim Budget	$9,413,901

2001-2002 Budget	2001-2002 Actual	Variance
$8,798,449	$8,873,848	$(75,399)

Staff-Proposed Compliance Budget

The staff proposed spending of $9,290,077. This spending is based on a total of 214.0 FTE secretaries, being 122.5 FTE at the Elementary level and 91.5 FTE at the Secondary level. The total salary and benefit cost for 2002-2003 would be $8,625,069, including $75,000 for interim staff.

A further $475,198 is proposed for professional development, supplies and payment for computer leases.

Trustee-Approved Interim Budget

The Trustee-approved budget provided for an additional $123,824 in spending to $9,413,901. This increase represents a portion of the 2001-2002 deficit as discussed in Appendix 3.

Recommendation

We recommend that the arbitrary increase that was allocated to fund the 2001-2002 deficit not be considered in the 2002-2003 budget. As a result, we recommend that the expenditures put forth by staff in the Compliance Budget be adopted. As such $124,000 should be reduced from the Interim Budget.

Appendix 4

Exhibit 12

Board Administration And Governance

	Expenditures
Compliance Budget	$11,642,406
Interim Budget	$11,642,406

2001-2002 Budget	**2001-2002 Actual**	**Variance**
$11,425,159	$11,428,951	$(3,792)

Staff-Proposed Compliance Budget

The staff proposed spending of $11,642,406. This spending is based on 11.0 Trustees, 12.0 members of Executive Council and 126.0 Board Administration staff.

Trustee-Approved Interim Budget

No changes were proposed to the Compliance Budget by the Trustees in their Interim Budget.

Analysis

We have reviewed the expenditure categories and have identified a number of outlays that would assist HWDSB in streamlining and creating efficiencies while delivering quality education.

We have set out below the areas in which we believe spending reductions could be made.

Vacant positions

The July 10, 2002 staff report included with the budget book for this category identifies five positions as being vacant with a total salary and benefits of $456,061. The consequence of delayed decision-making to maximize efficiencies has resulted in a reallocation of funds. As such, we propose that these vacant positions be left unfilled resulting in reduced spending at the Board Administration and Governance level of $456,000.

Temporary Assistance

The HWDSB has currently budgeted $188,220 for temporary assistance for the Board Administration staff. This reliance on outside staff could be reduced by having some staff "twin" with other staff members who would be able to handle the necessary components of the absent staff member's responsibilities. A "twinning" program could replace the need for the spending on temporary staff. We recommend that a "twinning" program be implemented immediately so that savings of $94,000 (approximately one-half of the budgeted amount) can be realized.

Feasibility

The above suggestions for trimming expenditures could affect the overall coordination of the Board activities. By reducing/delaying development, progress and some staff development projects may have to be revised or curtailed.

The underlying basis for the deferral of hiring these staff is that a hiring freeze is required. It may be that hiring for certain of the vacant positions cannot be deferred and thus vacancies resulting from other staffing changes may have to be left unfilled.

Recommendation

We recommend a reduction in expenditures for the Board Administration and Governance category by $456,000 through the elimination of five vacant positions and the delay of professional development programs. We also recommend that "twinning" be implemented reducing the costs for temporary assistants by $94,000. As a result, we recommend a total reduction of $550,000.

Appendix 4

Exhibit 13

School Operations

	Expenditures
Compliance Budget	$38,205,240
Interim Budget	$41,842,389

2001-2002 Budget	2001-2002 Actual	Variance
$37,883,165	$37,883,165	Nil

Staff-Proposed Compliance Budget

Staff proposed expenditures of $38,205,240 in the area of school operations. This spending is comprised of:

- $21,910,472 of spending for salaries and benefits for 459.0 FTE plus overtime costs and casual staff; and
- $16,294,768 in spending for goods and services for the school operations.

Based on our review of the Compliance Budget, staff ignored significant expenditure increases relating to energy and insurance costs that will be incurred by the Board in 2002-2003.

Trustee-Approved Interim Budget

The Trustees approved an additional $3,637,149 in spending for school operations, comprised of:

- Energy costs - $1,400,000. Energy costs are expected to increase in 2002-2003 by $1.4 million more than the $9.1 million included in the staff's Compliance Budget. Trustees have included the $1.4 million increase in the Interim Budget.

- Insurance costs - $200,000. Staff recommended an increase in insurance costs of only $35,000, resulting in a Compliance Budget figure of $980,000. The Trustees approved a further increase of $200,000 to insurance costs resulting in a total Interim Budgeted amount of $1,180,000.

- Repair costs - $2,037,149. Spending on repairs and renovations of $2,037,149 were added to the Interim in addition to the spending already set for work orders and fire and safety issues.

Analysis

Based on our review and analysis, the revised estimates for energy costs that were approved by the Trustees in the Interim Budget appear reasonable.

At our request, the property and liability insurance carriers were contacted and it was determined that the estimated insurance cost for fiscal 2003 would be $1,121,944, or $58,056 less than the budgeted $1,180,000. We therefore recommend an adjustment to the budget to reflect the lower actual costs of $58,000.

Staff's Compliance Budget included $3,065,000 for repair costs. The Trustees approved an additional $2,037,000 spending in this area. The staff's figure was determined after a listing of repairs was prioritized to determine which repairs should be made in 2002-2003.

The Trustees' increased allocation of over $6 million includes all of the repairs on the list. As a result of the Trustees' failure to close schools, costs have to be reallocated to fund inefficiencies in the system. As

such, we have used staff's prioritized list as a basis of the repair costs that should be incurred in 2002-2003.

Feasibility

The staff's prioritized list of repairs has included the repairs that are required for 2002-2003. Based on our discussions with staff, certain repair costs can be deferred until 2003-2004.

Recommendation

We recommend that the Trustees' estimates for energy costs be used for 2002-2003. We recommend that the budget be adjusted for the expected decrease of $58,000 in insurance costs. We also recommend that staff's prioritized list for repair costs be used in 2002-2003, resulting in a cost reduction of $2,037,000. Our recommendations result in total budget savings of $2,095,000.

Other areas for future consideration

Hydro consortium

Staff advised us that the HWDSB has not yet entered into a buying consortium for electricity. However, the Board has entered into a buying consortium for natural gas. Cost savings could result from if a consortium similar to that for purchasing natural gas is implemented.

Insurance coverage

The HWDSB may seek to self-insure for a greater portion of its insurance risk by using higher deductibles for its coverage. It is possible that a change in the coverage could reduce the insurance cost of the Board by 5%. It may also be possible to decrease the effects of the insurance cost increase by determining whether if another carrier can provide similar coverage for a lower premium. We anticipate that cost savings could result.

Appendix 4

Exhibit 14

Continuing Education

	Expenditures
Compliance Budget	$2,508,809
Interim Budget	$2,538,708

2001-2002 Budget	2001-2002 Actual	Variance
$2,654,260	$2,654,260	Nil

Staff-Proposed Compliance Budget

The Staff proposed expenditures of $2,508,809. This spending is a reduction of $145,451 from the $2,654,260 budgeted in 2001-2002. We were unable to meet with the relevant HWDSB staff during our procedures.

The Staff proposed 4.87 FTE, being 0.87 principal, 1.0 FTE teacher, and 3.0 secretaries. The number of continuing education teachers, both on a head count and an FTE basis, is not set out in the HWDSB budget binder.

The funding for this program includes $2,028,009 as the Ministry funding and an additional $480,000 of user fees and other Government grants. Staff has indicated that the proposed expenditure in the Compliance Budget of $2,508,809 is based on an efficient delivery of continuing education.

Trustee-Approved Interim Budget

The Trustees approved an additional spending of $30,000 for continuing education. This increase represents an arbitrary allocation of the previous year's deficit as discussed in Appendix 3.

Recommendation

Since the expenditures for the continued education program appear to be used efficiently, we agree with staff's proposed Compliance Budget. As a result, we recommend that the Trustees' increased spending of $30,000 to fund prior year's deficit be removed from the continuing education budget.

Appendix 4

Exhibit 15

Transportation

	Expenditures
Compliance Budget	$10,906,074
Interim Budget	$11,061,903

2001-2002 Budget	2001-2002 Actual	Variance
$10,619,306	$10,869,685	$(250,379)

Staff-Proposed Compliance Budget

The HWDSB will be transporting approximately 16,500 students daily in 2002-2003. The transportation policy was revised and approved on June 20, 2000. This policy change reduced the number of riders by 1,800. The policy states that students will be eligible for transportation if their walking distance exceeds a predetermined amount. We understand that the policy is strictly applied. The policy does not specify the mode of transportation. Hazard exceptions are reviewed annually. If a students choose to attend a school program that is different from the one designated in their area, transportation will not be provided. Transportation eligibility for Special Education students is dependent on an assessment.

Trustee-Approved Interim Budget

The Trustees proposed an arbitrary increase of $155,829 be made to meet increases in carrier contracts and fuel escalation, resulting in Interim Budget expenditures of $11,061,903. There was no supportable evidence provided to justify such an increase.

Analysis

Since 1999, the HWDSB has intended to enter into a transportation consortium with the Hamilton Catholic Board. A transportation consortium increases efficiencies in the Board's transportation system. A consortium would also benefit the students, in that shorter routes could be implemented at a lower cost. Such cost savings could be used in the classroom, directly benefiting the students' education.

To date, the Board has not been able to implement the transportation consortium with the Hamilton Catholic Board. Greater efforts must be taken to make the implementation of the consortium a priority for the Board.

Feasibility

Current year savings are not achievable on school bussing due to the delay in implementing the consortium. However, future savings can occur once the consortium is implemented. Other School Boards have been able to generate savings from similar consortiums.

Recommendation

We recommend that the Compliance Budget be implemented for 2002-2003. As such, we recommend that the Interim Budget's increase in spending of $156,000 not be applied to the transportation budget.

Other areas for future consideration

Increase walking distances for children.

Walking distances are set by Board policy such that students who qualify receive transportation. The policy does not specify the mode of transportation. The walking distances vary by grade in the urban areas and are set at one level in the rural areas. Students and parents have already been notified of the bus schedule for 2002-2003. The busing companies have also been notified of the bussing schedule for September 2002. It is unlikely that HWDSB will be able to implement a mid-year change due to contracts with Bus Companies. As a result, current year savings are not achievable. However, savings in future years may result from increasing walk distances. Staff suggested that a modeling exercise to revise walking distances could take one person four to six weeks to validate the savings resulting from increasing walk distances.

Ensure co-operation with coterminous school boards.

As previously discussed the proposed transportation consortium with the Hamilton Catholic Board should be implemented as soon as possible to generate cost savings in transportation.

Appendix 4

Exhibit 16

School Renewal

	Expenditures
Compliance Budget	$6,797,171
Interim Budget	$8,164,611

2001-2002 Budget	2001-2002 Actual	Variance
$6,823,796	$8,023,796	$(1,200,000)

Staff-Proposed Compliance Budget

The Staff proposed expenditures of $6,797,171 for this expenditure category. This spending is comprised of $6,604,711 for School Renewal Projects in 46 schools and $192,460 for 4.0 FTE painters. We understand these positions were previously in the school operations budget.

Of this proposed spending, $3,700,000 is being undertaken in the summer of 2002 financed by a draw from working capital reserves. A further $3,000,000 in School Renewal spending will be undertaken during 2002-2003.

Ministry of Education funding was originally set at $6,797,171. On June 27, 2002, after the Board considered the Compliance and Interim Budgets, the Ministry announced a funding change. Specifically, the HWDSB was advised that it would receive an additional $740,038 in funding for school renewal. The additional funding can be applied to repair projects over $10,000. This additional funding has not been included in the Interim and Compliance Budgets as it was not known at the time these budgets were developed.

As discussed in Appendix 3, staff has requested that this additional funding be applied to the repair and renovation outlays as detailed in School Operations, as there are numerous qualifying projects with multi-year benefits at a cost of more than $10,000 per project.

Trustee-Approved Interim Budget

The Trustees approved $1,367,440 in additional expenditures for school renewal, resulting in a total budget of $8,164,611.

The increase in the Interim Budget relates to a portion of the 2001-2002 deficit as discussed in Appendix 3.

Analysis

We suggest that the list of proposed spending be reviewed against the list of schools that we have proposed to close. Any spending that has been proposed for schools to be closed can likely be deferred or cancelled.

Based on our review of the proposed school renewal projects, we have identified the following discretionary/delayable items:

1. $700,000 for office and library renovations scheduled for Barton School in the summer of 2003;
2. $450,000 in ventilation changes scheduled for Ballard School for the summer of 2003;
3. $345,000 in changes for the Spencer Valley School roof for the summer of 2003; and
4. $50,000 for paving at Centennial, scheduled for the summer of 2003.

Feasibility

The above renovation outlays are budgeted for completion in the 2002-2003 year and would be completed in the summer of 2003. The funding for these expenditures can be deferred until 2003-2004, although the work can still be done in the summer of 2003 by drawing on reserves, as the HWDSB has done in the past.

While a case can be made for further spending on school facilities, it is necessary to first determine which schools will be retained before spending is made.

Recommendation

We recommend that the increased spending of $1,367,000 to fund prior year's deficit not be allowed for 2002-2003. We also recommend that the expenditures listed above not be incurred in 2002-2003 and deferred until the next budget year.

The total cost reduction recommended for school renewal is $3,652,000, which is broken down as follows:

Additional Ministry Funding	$ 740,000
Interim Budget Increase	1,367,000
Barton School Renovations	700,000
Ballard School Renovations	450,000
Spencer Valley School Roof	345,000
Centennial Paving	50,000
	3,652,000

Appendix 4

Exhibit 17

New Pupil Places

	Expenditures
Compliance Budget	$955,404
Interim Budget	$955,404

2001-2002 Budget	2001-2002 Actual	Variance
$510,000	$826,052	$(316,052)

Staff-Proposed Compliance Budget

The Staff proposed expenditures of $955,404 in 2002-2003 pursuant to the Ministry's funding allocation of $955,404. New pupil places grants are provided to help Boards fund the construction of new schools or additions to existing schools to allow for more pupil places.

Trustee-Approved Interim Budget

The Trustees approved the staff's Compliance Budget for new pupil places.

Analysis

We note that this funding is available only for this expenditure line; therefore, no changes are proposed to the Compliance Budget.

Recommendation

We recommend that the Interim Budget expenditure be maintained for 2002-2003.

Appendix 4

Exhibit 18

Debentures

	Expenditures
Compliance Budget	$7,438,980
Interim Budget	$7,438,980

2001-2002 Budget	2001-2002 Actual	Variance
$11,148,241	$6,596,056	$4,552,185

Staff-proposed Compliance Budget

The Staff proposed expenditures of $7,438,980 to cover debt obligations relating to the predecessor boards.

Trustee-approved Interim Budget

The Trustees approved staff's Compliance Budget for debentures.

Analysis

The debt obligations of the predecessor boards are legally binding to HWDSB. As a result, HWDSB must repay the debt in 2002-2003.

Recommendation

We recommend that the Interim Budget be adopted for this item in 2002-2003.

APPENDIX 4 – SUMMARY

The Hamilton-Wentworth District School Board
Summary of Recommendations

Item	Compliance Budget ($)	Interim Budget ($)	Cost Savings ($)	Recommended Budget ($)	Exhibit Reference
Revenues	365,589,322	365,589,322		365,589,322	
School Closures			1,126,000	(1,126,000)	1
Elementary Teachers	136,335,410	141,295,295	1,246,000	140,049,295	2
Secondary Teachers	81,892,687	86,122,257	2,050,000	84,072,257	3
Supply Teachers	6,000,000	6,195,247	1,895,000	4,300,247	4
Educational Assistants	12,587,514	13,267,841	240,000	13,027,841	5
Classroom Textbooks, Supplies and Other Costs	12,448,150	12,631,885	2,068,397	10,563,488	6
Computers	3,217,718	3,265,052	257,000	3,008,052	7
Professional and Paraprofessional Staff	6,844,701	7,012,223		7,012,223	8
Staff Development	777,393	788,829		788,829	9
Principals, Vice-Principals & Department Heads	17,741,588	17,995,096	904,000	17,091,096	10
School Office	9,290,077	9,413,901	124,000	9,289,901	11
Board Administration and Governance	11,642,406	11,642,406	550,000	11,092,406	12
School Operations	38,205,240	41,842,389	2,095,000	39,747,389	13
Continuing Education	2,508,809	2,538,708	30,000	2,508,708	14
Transportation	10,906,074	11,061,903	156,000	10,905,903	15
School Renewal	6,797,171	8,164,611	3,652,000	4,512,611	16
New Pupil Places	955,404	955,404		955,404	17
Debenture Commitments	7,438,980	7,438,980		7,438,980	18
Total Expenditures	**365,589,322**	**381,632,027**	**16,393,397**	**365,238,630**	
Net (Deficit)/Surplus	**0**	**(16,042,705)**		**350,692**	
Deficit from 2001-2002 included above		**5,005,590**			
Operating Deficit for 2002-2003		**(11,037,115)**			